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Lebanon Sends Jets For 3d Day Of Strikes

Compiled by Our Staff From Dispatches
BEIRUT — Lebanese fighter-jets attacked anti-government forces in the mountains near Beirut for the third straight day Sunday, knocking out artillery positions and striking a concentration of armed men, government announcements said.

They said the Hawker Hunter jets attacked forces that have been trying to drive the army out of the strategic town of Souk el-Gharb, nine miles (about 14 kilometers) southeast of the capital.

The army continued its efforts to chase Druze and Palestinians out of towns on either side of the mountain ridge on which Souk el-Gharb is situated, but the army offensive appeared to be stalled late Sunday.

Lebanese officers say the Druze have been trying to sweep south down the mountain ridge, circumventing the army, to reach the Mediterranean coast.

Official sources in Damascus told The Associated Press that President Hafez al-Assad of Syria had ordered his forces in Lebanon to retaliate against any further bombardment of Syrian-held territory by U.S. forces from "land, sea or air."

In a period ending early Saturday, two U.S. Navy ships fired 30 to 60 shells at artillery positions in Syrian-held territory. The shelling followed an artillery attack on the Beirut neighborhoods of the U.S. ambassador's residence and the Lebanese Defense Ministry, where a number of Americans work.

Also in Damascus, a spokesman for the National Salvation Front, a coalition of pro-Syrian Lebanese politicians opposed to the government of President Amin Gemayel, said his forces had been bombed and made unstable a makeshift airfield of the Lebanese Air Force at Jibal, 23 miles north of Beirut.

The Lebanese government confirmed the attack and said artillery from Syrian-held north Lebanon also hit East Beirut neighborhoods.

Police said at least 16 civilians were killed and 42 wounded in Sunday's shelling.

In a Palestinian refugee camp (Continued on Page 2, Col. 4)



On the first anniversary of the Phalangist militia massacres at the Chatila and Sabra camps for Palestinian refugees in West Beirut, a crowd of about 500 survivors gathered at the mass grave to mourn the victims who are buried there.

Year After Beirut Massacre, Survivors Reveal Scars

Palestinians in Sabra and Chatila Camps Fear Phalangists Will Come Back

By David B. Ottaway

Washington Post Service

BEIRUT — A solitary black flag stands lost in the weeds and garbage of a field in the Chatila refugee camp where more than three hundred Palestinians and Lebanese were buried in a mass grave a year ago after Christian Phalangist militiamen killed hundreds of civilians.

On the first anniversary, memories of three days of murder that began on the night of Sept. 16 remain starkly fixed in the minds of Chatila residents.

Fits of panic that the Phalangists are about to return grip the camp from time to time.

"We are afraid the Phalangists are going to come back," said Zuhair Mohammed, 23, the owner of a grocery on one of the main alleys where the massacre took place. The walls bear the pockmarks of bullet holes, as testimony. Ten members of his family were killed.

The Phalangist threat seems to have become a kind of collective bogeyman for Sabra and Chatila, the adjacent camps on the southern

outskirts of Beirut where the massacres took place.

Zakiya Hamad, 33, a mother of eight, said she told her crying daughter one night, "Be quiet or the Phalangists will hear and come get you." The child stopped crying.

Ironically, the same Phalangist militia involved in the massacres now is calling for an international committee to investigate the killing of Christians by Druze militiamen in a score of villages caught in the mountain fighting between the two groups in the past two weeks.

The number who died during the three-day massacres at Sabra and Chatila is unknown. The International Red Cross buried at least 328 persons, most of them in a mass grave that is hardly visible at the southern entrance to the camp.

The Lebanese government estimated the death toll at 400. But the Israeli Kahan commission that investigated the Israeli role in the Phalangist attack on the camps put the deaths at between 700 and 800.

In the camp, the figure most often used is about 1,000 dead and as many others missing. Some of the missing reportedly are being held

in the Israeli Ansar prison camp in southern Lebanon.

Never well-publicized in the international outcry over the massacre of Palestinian refugees was the fact that up to half those killed or missing may have been Lebanese civilians, many of them Shiites, who lived on the edge of Chatila camp, where the worst killing took place.

The population of the two camps — now estimated at 15,000 to 20,000 — has dwindled considerably, partly because the Lebanese government has not allowed destroyed homes that were outside the legal limits of the camps to be rebuilt and partly because Palestinians who were not part of the 1948 flood of refugees into Lebanon have had to leave the country.

School enrollment is down by 10 percent, according to the United Nations Relief and Works Agency. Italian sources from the peacekeeping force involved in protecting the camp say 30 percent to 40 percent of the former population has departed.

For the remaining Palestinians and Lebanese living in and around the two camps, the quality of life appears to have deteriorated considerably since the departure of Palestinian guerrillas a year ago. The quality of life was never very good.

The streets are littered with debris and garbage, and children play in the mud and filth. The stench of uncollected and rotting garbage around the bustling central market of Sabra is almost unbearable.

There is still no water in much of the two camps. Health conditions are worse and electricity is even scarcer than in the rest of Beirut.

Dr. Amir Hamawi, who works in one of the camp hospitals, said sanitary conditions were "absolutely worse" than a year ago. He noted that the number of cases of typhoid fever, or suspected typhoid, this summer rose to 20 to 30 a week.

"This summer there were more cases than in any other year," he said.

The only collection of garbage visible Friday at the camps was being done by a private Lebanese company, Oger-Liban, owned by

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Gromyko Halts Trip to UN After U.S. Restricts Jet

By Michael Dobbs
Washington Post Service

MOSCOW — The Soviet foreign minister, Andrei A. Gromyko, has canceled plans to attend this week's session of the United Nations General Assembly because of U.S. restrictions on his flight to New York.

Mr. Gromyko's decision not to travel to the UN for the session that is to begin Tuesday, was announced Saturday by the Soviet news agency Tass. It is the latest twist in the East-West crisis following the downing of a South Korean airliner by Soviet jet fighters Sept. 1.

Unless a solution is found, it will be the first time in more than 20 years that the Soviet minister has been absent from a General Assembly session.

The Tass announcement said that Mr. Gromyko's planned trip had become "impossible" because of the failure of the U.S. authorities to ensure his safety and allow the arrival and servicing of a special Soviet plane. It said that the United States had violated its obligations as the host country for the UN.

On Friday, the U.S. State Department announced it supported the decision of the governors of New York and New Jersey to refuse to allow Mr. Gromyko's civilian jet to land at civilian airports. The governors ordered the ban because they said the landing could trigger public demonstrations and place "enormous strains on the police and security forces of the two states."

Western diplomats in Moscow believe that the Soviet Union is also concerned about the possibility of anti-Soviet demonstrations in New York to protest the destruction of the Korean airliner and the deaths of the 269 people on board.

In New York, Secretary-General Javier Perez de Cuellar issued a statement saying he hoped that "an early and satisfactory solution can be worked out in the interests of the international community as a whole."

UN officials are understood to have advised the State Department that it had no right to prevent Mr. Gromyko's plane from landing.

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The wording of the Soviet statement implied that Mr. Gromyko would be prepared to change his mind and fly to New York if "normal" conditions could be created for his reception. The State Department said Friday that a special Soviet flight would be allowed to land at a military airport about two hours' drive from Manhattan, but this evidently was not regarded as an acceptable compromise by Moscow.

There was no suggestion in the Tass statement that the Kremlin would boycott the session entirely.

Mr. Gromyko, 74, had been due (Continued on Page 2, Col. 2)



Andrei A. Gromyko would boycott the session entirely. Mr. Gromyko, 74, had been due (Continued on Page 2, Col. 2)

White House Dismisses Gromyko's Move as Ploy

By Don Oberdorfer
Washington Post Service

WASHINGTON — The Reagan administration has dismissed as a ploy the move by Soviet foreign minister Andrei A. Gromyko, of his annual visit to the United Nations General Assembly.

Instead, U.S. officials were treating the decision Saturday as a Soviet maneuver to sidestep the brunt of international disapproval for shooting down a Korean passenger plane.

The General Assembly session opens Tuesday, but the State Department had announced Friday that Mr. Gromyko had been barred from arriving in a Soviet civilian airliner at any U.S. commercial airport.

Mr. Gromyko still could have landed at a military airport in a military plane.

A White House official said that Mr. Gromyko's decision was "a ploy to recapture world opinion" and was "a return volley in the propaganda war."

A State Department official speculated that the "beating up" Mr. Gromyko had taken about the downing of the Korean Air Lines 747 jet from Western and non-aligned diplomats earlier this month at the Conference on Security and Cooperation in Europe in Madrid was more important to his

decision than the restrictions placed on Soviet airliners.

President Ronald Reagan said in his weekly radio broadcast Saturday that the Korean jet disaster could be "a major turning point" in world history.

"We can start preparing ourselves for what John F. Kennedy called a long twilight struggle," Mr. Reagan said.

A senior White House official said Mr. Reagan's aides had favored a meeting in New York between Secretary of State George P. Shultz and Mr. Gromyko, and a presidential meeting with Mr. Gromyko was being discussed to "give him hell man-to-man and tell him what to take back to Moscow."

A State Department spokesman, Sondra McCarty, rejected Soviet assertions that Mr. Gromyko's safety had not been guaranteed and that the United States had "flagrantly violated" its host-country commitments to the United Nations.

A UN spokesman, Francois Gini, said the 1947 host-country agreement "explicitly states that the federal, state or local authorities of the United States shall not enforce any impediments to travel" to and from the UN by official participants.

State Department officials said that the rest of the Soviet delegation was planning to attend the UN session.

The State Department expressed willingness to permit a special Soviet flight to bring the diplomats under the same restrictions placed on Mr. Gromyko. But U.S. officials expected the Soviet diplomats would fly from Moscow via Aeroflot, the Soviet airline, to a third country, possibly Mexico, and from there would fly commercially to New York.

State Department sources said that a Soviet application for two special Aeroflot flights for Mr. Gromyko and his party had been received weeks ago and had been passed with State Department approval to the Port Authority of New York, which operates civilian airports in the New York area.

Sources said that the White House became aware that Aeroflot planes were to land with the Gromyko party after a press inquiry, and that officials there considered such a landing a likely embarrassment in view of the U.S. stand against Aeroflot flights throughout the world.

The White House spokesman, Larry M. Speakes, said Friday that there was "no way Aeroflot will land in this country." By this time, Governor Mario M. Cuomo of New York and Governor Thomas Kean of New Jersey had decided to bar Mr. Gromyko's plane from New York-area civilian airports.

Following the announcement that Mr. Gromyko would not come, Mr. Cuomo said that "the people are delighted" with the result. Mr. Kean said, "We accomplished what we wanted to accomplish. ... Obviously, Mr. Gromyko received our message."

Mitterrand: When Polls Worsen, What's Next?

By John Vinocur

New York Times Service

PARIS — Back in the soft wash of reflected Gaullist glory, President Georges Pompidou said something about wanting to turn France into a Sweden with sunshine. These days, President Francois Mitterrand is fulfilling the least appealing part of the promise: New measures announced last week appear to make Frenchmen the highest-taxed people in the world after the Swedes and Norwegians.

By instinct as much as a banker as a reformer, Pompidou paid little serious attention to his own remarks

and remained a popular leader until his death in 1974. Legislating more social justice than some of his critics think France could afford in times much harder than those Pompidou presided over, hiring thousands of new government employees and throwing money into failing nationalized industry, Mr. Mitterrand took the Gaullist's Scandinavian vision literally.

He has wound up the most unpopular French president in 25 years. The latest polls find that only 33 percent of the electorate is satisfied with the job Mr. Mitterrand is doing, a kind of political free fall from the state of grace he enjoyed after his election in May 1981.

The serious questions now about French politics are: Where is bottom for the Mr. Mitterrand and the left, and, if their fall continues, what happens? Since there are no legislative elections until 1986, and the president is unlikely to call for early ones that the parties of the left would probably lose, a natural pressure tends to push dissatisfaction into the streets in strikes, demonstrations and general nastiness.

Looking at the government's new budget, which not only increases taxes for the middle class, but tries to halve the rate of salary increases next year, Andre Bergeron, a Socialist labor leader, said last week that he feared the possibility of "civil disobedience" as a result.

Henri Krasucki, who heads the communist-led labor confederation, made the same kind of disapproving noises, saying that Mr. Mitterrand's efforts to reverse the economic course by cutting spending — benign Thatcherism to the Communists and far-left Socialists

— "hits too much at the little guys and those in the middle."

Remarks like these, in the view of some aides to the president, hardly help; they tend to consecrate the idea of more trouble in store.

Over the past week, a series of events illustrated what might go wrong. Besides the bad news from the new budget, a referendum in the city of Dreux, pumped up into a national test because of charges of racism and fascism, resulted in the Socialists' losing a stronghold they had won four straight times.

In Corsica, a regional government official was assassinated in circumstances that newspaper stories described as having the scent of civil war.

And in the Paris suburbs, three Communist mayors and a deputy mayor were indicted on corruption charges.

The Corsican problem translates into domestic politics as reinforcement for the opposition's charges that Mr. Mitterrand's government lacks resolve and ignores people's concern for their personal security.

The Communists' difficulties make the president's relations with his coalition partner no simpler at a time when he would prefer to be on good terms; Mr. Mitterrand knows



Francois Mitterrand

that the party's real utility to him would be in restraining the temptation to strike and demonstrate when this autumn's salary talks bring raises of only 4 to 5 percent, and clear losses in purchasing power.

But it was the election in Dreux that contained the most disturbing elements, not just for Mr. Mitterrand but for the country as a whole.

In the first round of the voting, candidates of the National Front, an extreme rightist party campaigning to send Arab immigrants

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Afghanistan Jets Bomb Village, Pakistan Says

Compiled by Our Staff From Dispatches

ISLAMABAD, Pakistan — Seven Soviet-made Afghan Air Force MIG-21 jets bombed a Pakistani border village Sunday, killing at least one person and wounding another, the government said.

A spokesman described the bombing as "very serious" and said, "Pakistan will be informing the secretary-general of the United Nations about this grave incident."

The spokesman said the bombs hit a village, which he did not identify, three miles northeast of Parachinar, which is 280 miles (452 kilometers) west of Islamabad.

Parachinar is in the Kurram Valley, an area of Pakistan that juts about 50 miles into Afghanistan. The Soviet-backed government in Kabul is fighting widespread insurgency in the border region.

Afghanistan says the rebels have bases in Pakistan near the border, where an estimated three million Afghan refugees have fled to escape the civil war.

Pakistan radio said the seven jets crossed into Pakistan in the morning. Four aircraft dropped bombs while three provided cover. One man was killed and another injured.

Western military analysts estimate that 105,000 Soviet combat troops have been deployed in Af-

ghanistan since the Soviet Union intervened there in December 1979.

The bombing was the most serious Afghan violation of Pakistan's border since Afghan helicopter gunships attacked two buses, two villages and a frontier post inside Pakistan in December 1981.

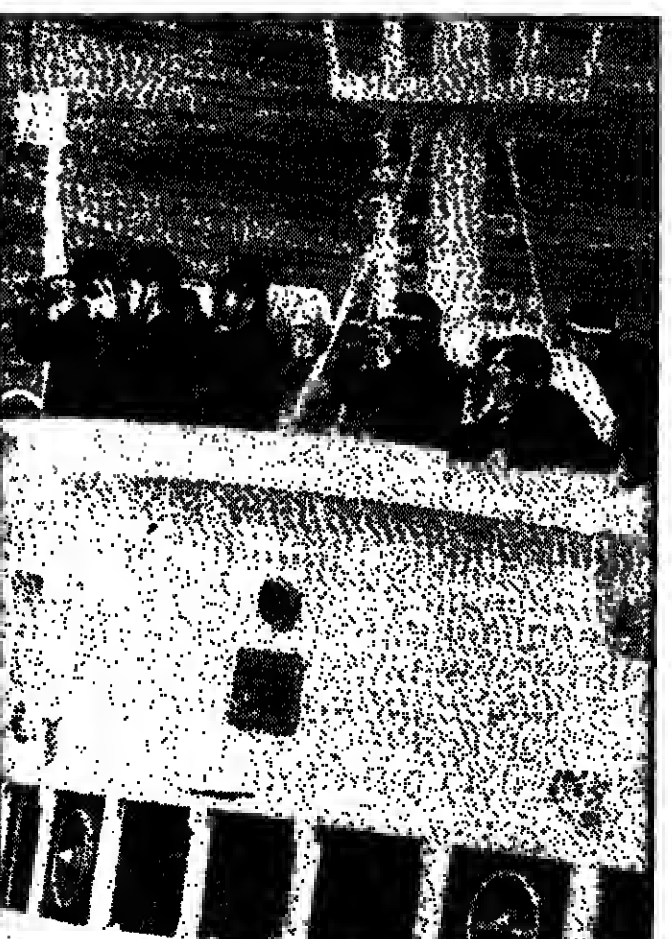
Many refugees are housed in camps along the border, but it was not immediately clear whether these were the target in Sunday's attack.

There are heavy concentrations of refugees in the area around Parachinar.

Afghan sources noted that heavy fighting was going on 25 miles east of Parachinar in Jaji, one of three strategic Afghan towns that Moslem guerrillas are battling to take from the Kabul government.

They said Kabul recently sent reinforcements to Jaji since it appeared close to falling to the rebels, who want to control the border area to ensure easy shipment of men and arms from bases in Pakistan into the interior of Afghanistan.

Pakistan told the UN Security Council in August that Afghan forces had violated its borders 33 times between January and June this year.



Maritime Safety Agency trainees searching for wreckage from the Korean jet off the Japanese island of Hokkaido.

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Concern Grows That Argentina Is Planning a Nuclear Bomb

By Philip M. Boffey

New York Times Service

WASHINGTON — Intelligence specialists and nuclear experts are increasingly concerned that Argentina is developing the ability to build nuclear weapons, and may actually be planning to build a nuclear bomb.

An intelligence report now circulating among Reagan administration officials contends that Argentine nuclear officials have a "secret plan" to divert a ton of uranium from under the noses of international inspectors and use the material to make nuclear fuel elements.

Such fuel elements could presumably be irradiated, through further clandestine steps, to produce plutonium for an atomic weapon, or they could presumably be stockpiled and saved to build a bigger arsenal in the future.

Many nuclear experts consider the intelligence estimate implausible and doubt that Argentina is really planning such a secret and illegal diversion.

But they, too, express concern over what they see as a greater danger: Argentina's progress in building, openly and legally, a range of nuclear installations that are not subject to international inspections and safeguards. These installations could eventually be used to produce bomb materials without violating a single international law or treaty.

"Argentina is probably closer than anybody else in the world today to completing an unsafeguarded nuclear fuel cycle," said Sherman Hinson, a State Department official with long experience in issues dealing with the spread of nuclear weapons. "And there's nothing secret about it. That's the truly disturbing thing."

Argentina has refused to sign the Nuclear Non-Proliferation Treaty, under which nations agree not to build nuclear arms. And while it has reluctantly agreed to allow some of its nuclear installations to be inspected and monitored by the International Atomic Energy Agency, it has steadfastly refused to allow all of them to be monitored.

Many specialists believe that the U.S. government, particularly the administration of President Ronald Reagan, has been lax in allowing nuclear-related materials to be transferred to Argentina without demanding that Argentina place all of its nuclear installations under safeguards.

Last year the Reagan administration approved the sale of a computer control system to Argentina as part of a plan to produce heavy water for use in the nuclear fuel cycle. And in early August the administration announced it had approved the sale of 143 tons (129.7 metric tons) of heavy water, originally made in the United States, from West Germany to Argentina.

The heavy water is essential to the operation of Argentina's nuclear reactors.

But Mr. Hinson considers the heavy water transfer of no great significance. A confidential letter written last month by George P. Bradley Jr., a deputy assistant secretary of state, argues that the Argentines are unlikely, for practical and legal reasons, to use the heavy water except in reactors that are subject to safeguards.

By all accounts, Argentina has one of the most advanced nuclear energy programs among the nations that have not yet exploded nuclear weapons. It has also become the major nuclear exporter in the developing world.

The Argentines have regularly drawn upon technical help from the advanced nations, including West Germany, Switzerland, the United States and Canada. In return, those nations have generally required that the plants and materials they supply be put under safeguards that include inspections and surveillance by the International Atomic Energy Agency to detect any diversion of materials for building weapons.

The intelligence estimate now circulating, prepared by the Central Intelligence Agency and first distributed within the government in May, contends that there is a secret plan to divert processed uranium from a West German-built plant that converts yellowcake,

partly treated uranium ore, to uranium dioxide, a step in the fabrication of nuclear fuel.

It says the plant has an annual capacity of 150 tons, and that one ton could be diverted and made to look like a bookkeeping error, thus presumably fooling inspectors.

But various experts in the Nuclear Regulatory Commission, the State Department and Congress express doubt that such a maneuver is plausible. They contend that similar intelligence estimates in the past proved mistaken or exaggerated, and they doubt that a ton of uranium — enough to produce plutonium for a bomb or two — would be worth the risk of being caught diverting it.

In addition, the Argentines would probably have to escape detection a second time as well. That is because the uranium fuel would have to be irradiated in a reactor to produce plutonium for bombs, and all of Argentina's reactors are currently subject to safeguards.

The greater danger, many experts say, is that Argentina is well on its way toward a totally independent nuclear fuel cycle that would allow it to produce bomb-grade materials in plants not subject to international safeguards.

Argentina already mines uranium ore from its own (Continued on Page 2, Col. 2)

Reagan Says Attack on Plane Forcing Reappraisal of Soviet

By Bernard Gwertzman
New York Times Service

WASHINGTON — President Ronald Reagan said Saturday that the downing of a South Korean airliner had produced "a fundamental and long overdue reappraisal" of the Soviet Union in countries around the world and had isolated Moscow in world affairs.

Underlining the White House's efforts to turn the shooting down of a Korean Air Lines 747, in which 269 people died, into a major political coup for the United States, Mr. Reagan said the Russians hoped

that "their crime and coverup will soon be forgotten and we'll soon get back to business as usual."

"Well, I believe they're badly mistaken," he said in his weekly radio address. "This case is far from closed."

"Good and decent people everywhere are coming together, and the world's outrage has not diminished," Mr. Reagan said.

He made no mention of Foreign Minister Andrei A. Gromyko's decision Saturday not to attend the United Nations General Assembly session beginning Tuesday because

of refusal by the Port Authority of New York and the federal government to allow his plane to land at a civilian airport in the New York area.

Mr. Reagan affirmed again that he would not impose a grain embargo that would "punish American farmers, not Soviet aggressors."

He suggested Saturday that reappraisal should go beyond the airliner incident and have a longer-lasting impact.

"The Soviets' aggression has provoked a fundamental and long overdue reappraisal in countries all over the globe," he said. "The Soviet Union stands virtually alone against the world."

He took note of a UN Security Council resolution deploring the shooting down that was vetoed by the Russians; action in the International Civil Aviation Organization to begin an inquiry, and the moves by various countries to suspend flights to Moscow.

Mr. Reagan added that "non-aligned nations are looking to the United States for leadership." He said he had instructed the chief U.S. delegate to the United Nations, Jeane Kirkpatrick, to "sit down with them to seek out new areas of cooperation."

He said that the most effective U.S. action would be for the Congress to vote his full defense program, and be called for "grass-roots" support for that.

"We may not be able to change the Soviet ways," he said, "but we can change our attitude toward them. We can stop pretending they share the same dreams and aspirations we do."

As part of the administration's effort to capitalize on the widespread criticism of the Soviet Union, the State Department is preparing a "white paper" to give as much detail as available on the shooting down of the plane, a department official said Saturday. He did not know when it would be made public.

In another development emphasizing the tense state of Soviet-U.S. relations, a Soviet Embassy official said that all 20 Soviet exchange students who had recently arrived in the United States to start the 1983-84 academic year had been told by Moscow to return to the Soviet Union for their own safety.

U.S. Military Chief Calls Soviet Air Defenses Rigid

By Richard Halloran
New York Times Service

WASHINGTON — The Air Force's chief of staff says that evidence gathered from the Soviet downing of a South Korean passenger plane on Sept. 1 shows that Soviet air defenses are inflexible.

"It confirms what we thought," said the officer, General Charles A. Gabriel, in an interview Wednesday.

The general, who said he had been given "a pretty good rundown" of what happened in the two and a half hours the airliner was tracked over the Kamchatka Peninsula, the Sea of Okhotsk and Sakhalin Island, also questioned the competence of the Soviet pilots.

Moreover, a senior official of the Reagan administration, who asked not to be identified, said Friday that it was "quite possible" that the Soviet pilot did not know he was shooting at a civilian passenger plane. This, the official said, made the Russians guilty of "criminal negligence."

General Gabriel said the performance of Soviet air defenses "gives us a little more confidence" in the ability of the U.S. Air Force to overcome the defenses if necessary.

In the view of some specialists, skepticism over the effectiveness of Soviet air defenses and tactical air power may affect congressional consideration of President Ronald Reagan's military budget. Mr. Reagan said the airliner episode showed the United States needed more military power.

But critics in Congress have begun to put a different interpretation on the incident and to question the need for increased military budgets and especially the need for building both the B-1 bomber and the Stealth bomber, a jet that is designed to evade radar detection.

General Gabriel said Soviet pilots were held on "a short leash" with commanders not trusting them to have radio frequencies with which they could have contacted the airliner.

The Soviet authorities have insisted that the interceptor that shot down the airliner was equipped with a radio and an international emergency channel with which it tried, but failed, to contact the airliner.

The general said one pilot had fired his guns well behind the airliner and out of range before firing the missiles that shot it down.

He also said, "I don't think he had tracers." Soviet spokesmen have said the fighter pilot fired tracers from a cannon to warn the South Korean pilot he was off course.

Earlier in the day, General Gabriel said in a speech before the Air Force Association, "This barbarism and the Soviet lies to cover up their crime have clearly proven to the world what the Soviet leadership stands for."

Speaking at the same forum, Mr. Reagan's national security adviser, William F. Clark, scoffed at the paranoia often attributed to the Russians. "We should not let the insanity plea exonerate them," said Mr. Clark, a former judge.

Military analysts inside and outside the government said evidence revealed Soviet air defenses to be less formidable than previously believed.

In the Soviet Union, the Air Defense Forces are a separate arm of the military, with 600,000 troops. The forces comprise three branches — electronic detection, with 6,000 radars; aviation, with 3,000 interceptors; and missiles, with 12,000 surface-to-air missiles.

Some specialists said the need for the regional command in Far Eastern Siberia to communicate with Moscow accounted for the two and a half hours that the airliner was tracked before being shot

down. Soviet spokesmen have said the decision to shoot it down was made by local commanders.

Under a recent law, the Air Defense Forces are understood to have received new regulations on gunning frontiers. Specialists said the tightened controls undoubtedly governed Soviet actions against the South Korean plane.

The specialists said radar was critical to Soviet air defense, since all operations were controlled from the ground.

"A Soviet pilot," said one specialist, "is little more than a guided missile."

Another said: "The only thing a Soviet pilot does is to take off and land his plane. The rest is controlled from the ground."

A U.S. Air Force officer said Soviet radar equipment, whether on the ground or in planes, lagged behind that of the United States and was not able to distinguish between the U.S. Air Force's RC-135 reconnaissance plane and the Korean Air Lines 747 in the same area, despite their differences in size and shape.

Most Soviet radar operators are officers who have been given four years of training and hold the equivalent of engineering degrees. Even so, an experienced operator could well have been confused by the appearance of two blips on his scope.

Jet Restricted, Gromyko Cancels His Trip to UN

(Continued from Page 1)

to address the General Assembly on Sept. 26 — a day after President Ronald Reagan. The occasion had earlier been seen as an opportunity for Mr. Gromyko to renew a dialogue with the U.S. secretary of state, George P. Shultz, following their acrimonious meeting in March earlier this month at the closing session of the Conference on Security and Cooperation in Europe.

The Soviet Union has continued

its propaganda campaign in the mass media, seeking to place responsibility for the airliner incident on the United States. An article in the army newspaper said Friday that the United States had been using Korean Air Lines planes for espionage purposes for more than 10 years.

A Tass commentary Saturday night described as "illegal" and "lopsided" a resolution adopted by the International Civil Aviation Organization in Montreal calling for an independent inquiry into the destruction of the Boeing 747. It said that the group's governing council had "sidestepped the main point — the fact of the criminal violation by the spy plane of the Soviet Union's sovereignty."

The Tass reaction implied that the Russians would not cooperate with any independent investigation. Soviet spokesmen countered by asking the United States, South Korea and Japan to cooperate with an inquiry set up by the Kremlin.

■ Critics From Within

The editor of the Soviet Communist Party newspaper, Pravda, criticized Moscow on Sunday for taking six days to acknowledge it shot down the Korean jetliner. The Associated Press reported from Edinburgh.

The Pravda editor-in-chief, Viktor G. Afanasyev, who arrived in Edinburgh with a visiting Soviet delegation, said: "I think in this respect our military people are guilty," when asked in a British Broadcasting Corp. interview why the Kremlin took so long to admit responsibility.

"Probably they let some inaccuracies slip by," he said through an interpreter. "Perhaps they weren't certain what had happened. I wouldn't say I was very pleased with our first reports."

Mr. Afanasyev, a member of the Communist Party Central Committee, defended the rest of the Soviet action, maintaining that the aircraft was on a Washington-ordered spying mission and that the Russians had a right to shoot it down.

Worry Grows Over A-Bomb

(Continued from Page 1)

reserves and can convert the material to uranium dioxide and then fabricate it into fuel elements in plants that are said to have unsafe-guarded production lines.

It is also building a pilot plant, free of safeguards, to produce the heavy water needed to operate its reactors. And it is building a reprocessing plant, also free of safeguards, that will be able to extract the plutonium from irradiated fuel rods and make it available for bombs.

The key point that Argentina will need to achieve a complete nuclear fuel cycle that is entirely free of safeguards is a reactor to irradiate the fuel. Argentina has six research reactors and three power reactors built or under construction; all are under safeguards. But it is also planning to build a large research reactor that will not be under safeguards that could produce enough material to make a small number of bombs.

Most experts say there is no firm evidence that Argentina is bent on acquiring a bomb and some evidence, such as budget cuts in key nuclear plants, to suggest it is not. But they worry that Argentina will acquire, within a few years, the ability to make bombs.

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Another said: "The only thing a Soviet pilot does is to take off and land his plane. The rest is controlled from the ground."

A U.S. Air Force officer said Soviet radar equipment, whether on the ground or in planes, lagged behind that of the United States and was not able to distinguish between the U.S. Air Force's RC-135 reconnaissance plane and the Korean Air Lines 747 in the same area, despite their differences in size and shape.

Most Soviet radar operators are officers who have been given four years of training and hold the equivalent of engineering degrees. Even so, an experienced operator could well have been confused by the appearance of two blips on his scope.



ANNIVERSARY OF A MASSACRE — Police in Jerusalem arrest a demonstrator at a protest to mark the first anniversary of the mass killing of Palestinians at the Sabra and Chatila refugee camps in Beirut. The refugees were killed by Lebanese Christian Phalangists in an area that was under Israeli military control. The police detained 20 protesters Sunday before quickly dispersing the crowd of about 100 Israelis and Arabs.

Lebanese Jets Strike Chuf Positions

(Continued from Page 1)

near the northern Lebanese port of Tripoli, Yasser Arafat, the chairman of the Palestine Liberation Organization, told Western reporters that his guerrillas were present in the central Chuf mountains but that those fighting alongside Druze militiamen were not doing so with official sanction.

Mr. Arafat said, "No doubt some Palestinians, some volunteers, will participate, you can't prevent that. But I am speaking officially. The official stand is Walid Jumblat's stand that the Palestinians are not participating in the fighting. Mr. Jumblat is head of the Progressive Socialist Party, a leftist Druze political organization."

Mr. Arafat said PLO men in the mountains were there to continue a war of attrition against Israeli forces now dug in behind the Awali River to the south.

■ Willingness to Meet

The International Herald Tribune reported from Washington.

President Gernsey and the Druze leader, Mr. Jumblat, said in separate televised interviews Sunday that after a cease-fire is accomplished, they would be willing to meet to negotiate a compromise on Lebanon's political future.

Noting the "delicate" ethnic and religious balance in Lebanese society, Mr. Gernsey indicated he would support a solution favoring a larger share of power by disaffected communities such as the Shiite Moslems and the Druze. He said he was sure that if he met with Mr. Jumblat "face to face, within five minutes we would be able to reach an agreement."

Mr. Gernsey added that he was not able to immediately undertake such face-to-face talks because of the Syrians, who he said are "behind" Mr. Jumblat.

"It is very clear that the Syrians are behind everything going on in Lebanon," he said. "This specific war going on in the Chuf... maybe could be a side war or a sideshow to prevent the withdrawal of the

foreign forces from Lebanon, the Syrians and the Israelis."

Interviewed on the American Broadcasting Co.'s "This Week with David Brinkley," Mr. Gernsey was asked whether he could envision a time when the U.S. Marines might be fighting alongside the Lebanese Army. He replied: "I don't think that will be necessary. We are pushing very strongly the political initiative and political solution. We hope that very soon — within hours or days — we'll be able to reach a political agreement."

But the Druze leader, interviewed by satellite from Damascus on Columbia Broadcasting System's "Face the Nation," said that although he was willing to accept the proposal for a cease-fire made by U.S. negotiator Robert C. McFarlane and to meet with Mr.

Gernsey, the Lebanese Army must first be withdrawn from the Chuf area where the Druze community lives.

But appearing moments later on the same CBS broadcast, the Lebanese ambassador to Washington, Abdallah Bounhabib, was asked whether the Gernsey government would withdraw the Lebanese Army from the mountains in order to achieve a cease-fire and a new government.

"No," he said. "The Lebanese Army is our institution that any national consensus must be built on." He said it contained more Druze than Mr. Jumblat's Druze militia, more Shiite Moslems than the Shiite militia and more Christians than the Christian Lebanese Forces.

"The army," he said, "is really a symbol of national unity."

A Year After Massacre, Survivors Bear Scars

(Continued from Page 1)

Rafik Hariri, a millionaire who is involved in the current negotiations for a cease-fire and a political settlement to the war.

The one significant improvement has been in security, thanks mainly to the French and Italian peacekeeping troops who have fixed positions throughout the two camps and run patrols through the main streets during the night.

"Their presence is very necessary," said Dr. Hamawi. "They have given the people a sense of security."

Mr. Mohammed, the grocery owner, agreed but said the residents wanted more Italian and French troops inside the camp.

The young men who live in the camps still sleep elsewhere at night when the tension rises in the city. They fear the Lebanese Army or

security forces will come on sweeps to arrest them as they were doing almost daily last fall.

Residents were relieved to see that neither the French nor the Italians fled when the two camps were shelled Sept. 6 and three Italian and four French soldiers were wounded. Officers of the two forces say privately that some of the shells were 155mm ones coming from Phalangist guns in East Beirut and apparently aimed at sowing panic among the Palestinians.

If so, the fears of camp residents about the Phalangists coming back in one way or another may not be all that imaginary.

"I am not afraid of the shells because it is up to God whether I am hit," said a camp resident outside Mr. Mohammed's store. But if the Phalangists come again there is nothing "or God can do. They will kill us."

border and cut off aid to Vietnamese forces in Cambodia. For the first time, the official People's Daily reported Saturday a new demand, the removal of the medium-range, SS-20 missiles the Kremlin has been deploying in Asia.

In his news conference, Mr. Wu seemed intent on stating that China's independence as it prepares for a busy diplomatic season, which will also include a third round of normalization talks with the Soviet Union next month in Beijing.

His conciliatory view of Chinese-American relations is consistent with the general mellowing of Chinese policy since the Reagan administration decided in June to permit sales of more sophisticated technology to China.

Although specific purchasing guidelines are still being drafted, the decision shifted China into the category of "friendly, nonaligned" nations with the right to acquire higher levels of electronics, computers and know-how, all with military application.

Previous bureaucratic delays on Chinese requests for high technology were near the top of Beijing's long list of grievances against the United States.

Besides the technology transfer, another example of improved relations is the nuclear cooperation agreement nearing completion that would open the way for U.S. companies to bid on lucrative contracts to help develop China's atomic energy industry.

A U.S. delegation headed by a special ambassador for nuclear affairs, Richard Kennedy, was scheduled to arrive in Beijing on Monday to discuss final details, according to diplomats.

Mr. Wu said he would welcome an early signing of an agreement, which, he added, would include guarantees by Beijing not to transfer U.S. nuclear technology to a third nation.

The major stumbling block to an agreement has been China's unwillingness to ensure that nuclear materials and equipment would not be converted to military purposes or resold to a nonnuclear state.

Chinese Foreign Minister Welcomes Agreements, Closer Links With U.S.

By Michael Weisskopf
Washington Post Service

BEIJING — As China and the United States prepare for an exchange of high-level visits, Foreign Minister Wu Xueqian has praised the Reagan administration for liberalizing technology transfers to China and looked forward to completion of a nuclear cooperation agreement.

Mr. Wu, speaking Saturday at a rare news conference, gave a generally upbeat assessment of a relationship battered by political and economic issues in the past two years.

Diplomats said he sought to set a positive tone for his coming trip to New York and Washington and a Sept. 25 visit to Beijing by the U.S. defense secretary, Caspar W. Weinberger.

Mr. Wu also said he expected to discuss new cultural exchanges during his talks in Washington in October.

He said he hoped for better relations between Washington and Beijing, but stressed that U.S. arms sales to Taiwan, the central dispute

in Chinese-American relations, are still an "obstacle." He called on Washington to fulfill its August 1981 pledge to phase out the weapons supplies.

On Chinese-Soviet relations, Mr. Wu said he would confer with Foreign Minister Andrei A. Gromyko at the UN General Assembly session later this month in New York. He spoke before the Soviet Union canceled Mr. Gromyko's trip on Saturday. The meeting would have been the first working session between foreign ministers of the two powers since 1969.

Mr. Wu said that talks just completed with a Soviet deputy foreign minister in Beijing were conducted in a "calm, reasoning and candid atmosphere."

He repeated China's "sincere hope" to improve relations, but emphasized that prospects for normalizing relations remain blocked by the "real threat" to China's security posed by Moscow's military stance in Asia.

Beijing has urged Moscow to pull back its troops from Afghanistan and from the Chinese-Soviet

border and cut off aid to Vietnamese forces in Cambodia. For the first time, the official People's Daily reported Saturday a new demand, the removal of the medium-range, SS-20 missiles the Kremlin has been deploying in Asia.

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WORLD BRIEFS

Jets for Iraq Reported Still in France

LANDIVISIAU, France (UPI) — An anticipated weekend delivery of five Super Etendard warplanes to Iraq appeared Sunday to have been postponed, with the jets still stationed at an air force base here, local sources said.

France, a prime customer for Iraqi oil and Iraq's second largest military supplier behind the Soviet Union, agreed to lend the five attack planes, adapted to carry Exocet air-to-surface missiles, from its own fleet of 71.

Iraq, at war with Iran for the past three years, already has more than 20 Exocet missiles.

Walesa Disavows Quotes on Solidarity

WARSAW (Combined Dispatches) — Lech Walesa retracted Sunday his previous endorsement of an underground bulletin that quoted him as saying that supporters of the outlawed Solidarity labor movement should drop the "Solidarity" banner and form regional union cells.

Mr. Walesa said Friday that the interview, carried in the Warsaw underground publication C.D.N. represented his views. "The interview it carried is a hodgepodge of themes discussed in different places and does not represent my position," he said.

In Czestochowa, 10,000 people shouldering banners for Solidarity prayed Sunday for the victims of police repression, and a priest asked for prayers for Poland's rulers.

Belgian Civil Servants Extend Strike

BRUSSELS (AP) — Government workers on Sunday rejected as inadequate government proposals to amend cuts in the public payroll. They said they would continue to strike, leaving Belgium without public services for a fifth and sixth day Monday and Tuesday.

Later Sunday, the cabinet held an emergency meeting. Officials said afterward that the government wanted new talks with the unions about the proposed changes in its austerity program, which have not been detailed.

On Friday, 38 prisoners escaped from a jail in Tournai, 70 kilometers (43 miles) southwest of Brussels, officials said. The guards were on strike and had been replaced by police officers.

Filipino Seeks Asylum in Australia

CANBERRA, Australia (Reuters) — A former senior Filipino military officer, asserting that he has information about the murder of Benigno S. Aquino Jr., the Philippine opposition leader, has applied for political asylum, Australian immigration department sources said.

The sources identified the man on Saturday only by his surname, Flor, and said he was a former naval officer who had once served as a military attaché at the Philippine Embassy in Canberra. Flor, who arrived in Australia on a visitor's visa, first approached the Foreign Affairs Ministry, they said, but his application is now being processed by the Department of Immigration and Ethnic Affairs.

Flor said in his application for asylum that he faced reprisals in the Philippines because of what he knew about Mr. Aquino's killing. The opposition leader was shot to death at Manila International Airport on Aug. 21 while he was being escorted from an airliner.

Pakistan Releases 1,000 Protesters

ISLAMABAD, Pakistan (Reuters) — Pakistan's military government released more than 1,000 protesters from prison to mark Sunday's Muslim festival of sacrifice in the first amnesty since the opposition took to the streets Aug. 14.

At the same time, the government revealed that it had started an investigation into the financial dealings of landlords opposed to the military regime. The official Pakistan Times said Sunday that landowners owed millions of rupees in overdue bank loans and had defied successive land reform drives. "Various government agencies are now busy collecting details regarding the land retained and surrendered by the filthy rich feudal lords," the newspaper said, adding: "The defaulting zamindars (landlords) may be tried by special courts."

The province of Sindh, which has seen numerous violent demonstrations against martial law in the last five weeks, appeared quieter Sunday, but police sources said a crowd burned a U.S. flag in Khairpur and marchers in Sakrand demanded the release of all political prisoners. Both marches were peaceful.

Marchers in Geneva Protest Missiles

GENEVA (Reuters) — Seventy West German women arrived in Geneva this weekend to protest deployment of U.S. and Soviet nuclear missiles after a march from West Berlin that began Aug. 6.

About 1,500 supporters formed a human chain between the U.S. and Soviet diplomatic missions on their arrival Saturday night. U.S. and Soviet officials are holding two-weekly negotiations here on medium-range nuclear missiles in Europe.

Police at the U.S. mission had small scuffles with demonstrators, some of them shouting "Reagan, Andropov, the world does not belong to you" and "No to the Warsaw Pact, to NATO and to Pershing and SS-20 rockets."

Final Pershing-2 Test Called a Success

WASHINGTON (Reuters) — The final flight test of the Pershing-2 missile was completed successfully Sunday, a U.S. Army spokesman said. He said the test, at the White Sands missile range in New Mexico, was designed to evaluate the Pershing's accuracy and maneuverability.

"The launch and powered flight appeared normal," the spokesman said. In 17 previous flights, test missiles malfunctioned or were badly off target five times. But the army said Friday that it was convinced the missile would perform accurately and that its design was sound.

Under a 1979 NATO decision 108 Pershing-2s are to be deployed in West Germany beginning in December, and 464 cruise missiles are to be placed in other West European countries. However, an arms control agreement at U.S.-Soviet talks in Geneva would forestall deployment.

Australia Wins America's Cup Race

NEWPORT, Rhode Island (UPI) — Australia II gained her first victory in the America's Cup finals Sunday over Liberty, the U.S. defender, by dominating in shifting winds and outfoxing the Americans.

The long-awaited victory came after equipment problems thwarted the Australians in the first two races and time ran out in the third. The Australians mastered the light northwesterly winds while their revolutionary winged keel increased speed and maneuverability.

The Australians won by a wide 3-minute, 14-second margin, but the Americans still lead 2-1 in the best of seven series. [Earlier story, Page 19.]

For the Record

MONTEVIDEO (Reuters) — More than 500,000 workers staged a 10-minute strike Friday to protest the military government's reduction in wage increases, union sources in Uruguay said. They added that the police had arrested at least 20 persons Friday at a demonstration in central Montevideo.

MADRID (Reuters) — Jacobo Timerman, the Argentine journalist who was held for two years without trial by Argentina's military government, has been denied permission to give a series of lectures in South Africa, a spokesman said Friday at the South African Embassy in Madrid.

BERN (Reuters) — Two Swiss Air Force planes intercepted a Bulgarian civilian airliner that had entered Swiss airspace Sunday without notification, a spokesman said. The jet was allowed to continue after identification, he said.

For Mitterrand: What Comes After a Slide in Popularity?

(Continued from Page 1)

"back to their huts on the other side of the Mediterranean," won 17 percent of the vote. In the final round, a common slate of Gaullists and middle-of-the-roadsers won, carrying by previous agreement four of the National Front candidates into the city council.

Coming after polls showing that more than 50 percent of the French think that sending the immigrants home would improve the employment situation in France, the election had some very unpleasant aspects. The left turned all its big guns on Dreux in the week before the voting, but despite warnings about the stink of fascism, it was soundly beaten.

Perhaps what the elections suggest most of all is that the poor economic state of the country has strengthened an ugly but limited minority that can play the role of a catalyst. Combined with new layoffs expected this fall in heavy industry that are likely to affect Arab workers, some of them allied to militant Islamic organizations, the presence of a minority of the racist right is one of the volatile elements of the French political autumn.

In the middle of all this, Mr. Mitterrand went on national television last week. It was rather like night school with a relatively good-humored economics teacher whose message, through graphs and colored bars, was that all the bad trends started before he arrived, and they would disappear if everyone was patient.

His waning popularity? There the politician was out over the epigrammatist and the phrase-maker. "If I'm unpopular," Mr. Mitterrand said, "then I prefer it to failing in my duties."

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AMERICAN TOPICS

A Twice-Weekly Survey Compiled by Our Staff

Reagan's Decision

Most of Ronald Reagan's close advisers say that he is running for re-election. But the fact that there is room at all for doubt about the second-term intentions of a president who likes his job and is without a serious rival in the Republican Party is a reminder that Mr. Reagan, genuinely appreciative of life outside Washington.

The reasons other people might find for Mr. Reagan to step down — such as the likelihood that he would have to raise taxes, not lower them, and the gathering clouds of international crises — do not seem to have intruded into the presidential consciousness. "He thinks he can handle the tough problems better than other people," an aide says.

Certainly, Mr. Reagan's dreams will require a second term for "ratification." He wanted to show that a military buildup would force the Soviet Union to accept nuclear arms reduction and to revitalize the economy. Both goals will not likely be achieved in his current term.

No one in the Reagan political circle, however, believes that re-election will be a breeze. Onions, including a recent poll, found signs of a "massive Democratic party sweep in 1984," that could threaten Mr. Reagan's re-election. The Harris Survey found that Mr. Reagan was running neck and neck with two Democratic front-runners and that a strong Democratic "undertow" in congressional elections that could pull Mr. Reagan under.

Mr. Reagan has an incumbent's assets — and weaknesses. For example, public reaction ran 2-to-1 in favor of his speech condemning the Soviet downing of the Korean airliner, but polls also showed 60 percent of Americans favoring stronger anti-Soviet sanctions.

However, most professional analysts, while acknowledging Mr. Reagan's problems, say polls are meaningless at this early stage, and Reagan insiders say that their man always does "better than his numbers" in the passage from polls to elections.

What might deter him from running? If he had to choose between the power of the White House and the pleasures of his ranch in California, he might hesitate. "The solution, aides say, is for him to spend even more time on his beloved ranch next year."

Real Dallas

The nation's top shops have invaded the Dallas suburbs for a piece of the city's \$21 billion annual retail market.

Downtown purveyors to Dallas consumers — including old-line Neiman-Marcus and newcomer Lord & Taylor — face fierce competition from numerous lavish shopping malls clustered around affluent North Dallas, an area dubbed "the Golden Corridor," where the average new home sells for about \$220,000.

There, Tiffany and Saks Fifth Avenue from New York; Gump's from San Francisco; and Marshall Field from Chicago are drawing customers out to a vast, five-level Galleria mall. Within two miles (3.2 kilometers) sit three other "high end" malls with merchants including Bloomingdale's and Macy's.

Although the Southwest has long prided itself on the quality of its local merchants, the influx is accelerating because of the continuing population increase in Dallas, its high per-capita income, its economic diversity and its relative immunity to economic stagnation.

Court Trends

The emphasis of the current Supreme Court's rulings on separation of powers in government is having repercussions throughout the federal system. In its most publicized ruling, the court this summer struck down the so-called legislative veto, which allowed either house of Congress to block executive branch actions.

The War Powers Resolution may face a similar legal reinterpretation because some provisions of it constitute a legislative veto on the president's orders. The court takes the view that Congress must present each piece of legislation to the president for his signature — a step that is missing in legislative vetoes.

Citing the court's opinions, Interior Secretary James G. Watt continues to lease federal land for coal mining in defiance of opposition from congressional committees. Mr. Watt contends that Congress is no longer entitled to interfere without a law signed by the president.

The Supreme Court, in pursuing what the Washington Post's legal specialist, Fred Barbash, calls "an extraordinarily strict reading" of the U.S. Constitution, has also brought chaos to the nation's clogged bankruptcy courts. The Supreme Court struck down parts of a bankruptcy reform law because it did not give judges life tenure as stipulated in Article III of the constitution to guarantee their independence.

Federal magistrates may be the next to have their powers cut since they do not enjoy the total job security mandated by

Article III either. Restrictions on their role could add 3,000 cases a year to the already swarming workload of the nation's 560 federal judges.

Vox Pop

The Voice of America has requested funds to start a broadcast network aimed at Western Europe. Frank Scott, VOA director of programs, is traveling in Europe and the Middle East to talk to U.S. and foreign officials about the VOA expansion.

Besides seeking additional transmission facilities, Mr. Scott is examining ways to reach West European audiences, especially younger people. VOA sources say that the agency is concerned that the United States and its views are not getting an adequate hearing among younger Europeans, the teen-agers and university-age students who will follow the present successor generation of leaders in postwar Europe.

They already are seen by many Washington policymakers as disappointingly remote from U.S. values and views. However, a government spokesman denied a Washington report that the VOA plans "a network with a top-of-the-pops format keyed to the hip young."

Shocking the Voters

Last November, the voters in Berkeley, California, approved a novel ordinance banning electroshock therapy — a method of treating cases of severe depression by giving patients shocks through electrodes attached to the forehead. But now a county judge has struck down the ordinance, to the applause of psychiatrists.

This is a complete victory for us," Kurt W. Melchior of the Northern Psychiatric Society and several other groups, said Friday. "We couldn't be more satisfied."

Leaders of the Berkeley-based Coalition to Stop Electroshock, the group that gathered more than 2,500 signatures to put the shock-ban issue on the ballot, expressed dismay. "It's really outrageous for the judge to overturn the city of Berkeley," said a spokesman for the group.

Notes on People

John P. McGoff, a Conservative Michigan newspaper publisher who tried unsuccessfully to buy the Washington Star in 1974 with money secretly lent him by South Africa, ended his long-running battle with the Securities and Exchange Commission by consenting to future restrictions on his company, Global Communications Corp., without accepting or denying guilt.

From now on, the advertisements for Hathaway shirts will be more realistic. The ads, long famous for featuring a man in an eye patch, will now be made with a celebrity instead of a professional model. First picks for the series: Ted Turner of Cable News Network, John Naisbitt, author of "Megatrends," and J.W. Marriott Jr., chief executive of the Marriott Corp. They are described as "an entrepreneurial man, an intellectual and a corporation man."

The manager of the Mondale campaign for the Democratic presidential nomination is Jim Johnson, who is as well known in campaign circles as he is unknown to the general public. Described as a "political technician," Mr. Johnson, 39, has worked 11 years with the former vice president. (Both men are Protestant Minnesota Democrats of Norwegian extraction.) This is his fifth political campaign, but the first time he has been in charge.

Americana

The Middle West drought means poor corn. Poor corn means undersized cobs. And poor cobs mean trouble for Missouri Meerschaum Co., the world's largest maker of corn-cob pipes.

Invented by a Dutch immigrant, the meerschaum is coated with plaster of paris gone to fill holes left by the corn kernels. The product was made in Missouri Meerschaum after the mineral used in making meerschaum pipes. At the factory, smokers' photos are on display: Popeye, General Douglas MacArthur and Norman Rockwell.

The only concession to modernity is that New England wood is used for pipestems instead of the cob stems and reeds pulled from marshes along the Missouri River.

Study Finds Higher U.S. Vulnerability to Cutoff of Gulf Oil

By Richard Halloran

New York Times Service

WASHINGTON — The United States will become increasingly vulnerable to any cutoff of oil from the Gulf area, and the Reagan administration's policies for meeting that threat are "a calculated risk," according to a study by a non-partisan congressional organization.

In the study, the organization, the Congressional Research Service, asserted that the administration had reduced the federal government's role in energy conservation and developing new energy supplies, thus leaving military force as perhaps the only effective response to the threat of a cutoff.

A spokesman for the White House said that there would be no comment from the administration about the new analysis until the appropriate officials had studied it.

The contention of the study, requested by Senator Carl Levin, a Michigan Democrat, that the United States will become more dependent on oil from the Gulf and thus more vulnerable to disruption, runs counter to a widely held assumption that such dependence is declining.

U.S. dependence on imported oil will grow because "domestic oil and gas production will probably decline during the 1980s," the study says. Current trends, it continues, would make "the United States more vulnerable to a supply disruption."

Those disruptions could come from a Soviet invasion of the oilfields around the Gulf, local wars like the one between Iran and Iraq, a politically motivated cutoff like the one in 1973 or sabotage by terrorists or guerrillas, the study says.

The research service is a non-partisan congressional group that provides analytical reports to members.

The research service also differed with the Reagan administration's repeated contention that other industrial nations are more dependent than the United States on oil from the Gulf. The administration has used this argument in urging those nations to provide more military power to defend their interests in the region.

"In the short term," the study says, "the United States could suffer economically from a Persian Gulf disruption in the same approximate range as would our allies in Western Europe and Japan."

It says that the most immediate effect of a disruption would be "sharp increases in the price of all oil supplies" that would affect all consumers. Prices that today run less than \$30 a barrel could rise to more than \$100 a barrel, the study asserts.

The research service based its conclusions on analyses of the hypothetical effects that would have followed a complete cutoff of oil from the Gulf in 1980,

when the economies of industrial nations were expanding, and in 1982, when those economies were in recession.

It concluded that the sharp increase in oil prices would have caused the United States to experience a decline in gross national product of 11 to 29 percent, while West Germany's economy would have slowed from 14 to 29 percent and Japan's from 12 to 26 percent.

In 1982, with economies slowed by recession, the United States would have seen a drop of 4 to 9 percent in GNP, West Germany's would have dropped 4 to 8 percent and Japan's 3 to 7 percent, according to the research group.

"Under the Reagan administration," the study says, "there is little prospect, without strong congressional insistence, that an energy emergency policy, including demand management policies, will be centralized at the federal level."

Hazards Seen in Delays In U.S. A-Plant Cleanup

By Clyde H. Farnsworth

New York Times Service

WASHINGTON — A member of an outside safety advisory board appointed to advise on cleaning up the disabled Three Mile Island nuclear reactor has warned that delays are generating hazards to public health and safety. He cited the possibility of "a major event that can do great harm."

The board member, Bruce T. Lundin, a mechanical engineer, spoke of hazards from equipment deterioration, personnel error, loss of competent staff, an unexpected event such as sabotage or a plane crash and "a ho-hum atmosphere" in which mistakes can be made.

"Somewhere in that forest of slips and mistakes lurks the major event that can do great harm," he said in a letter Aug. 21 to James C. Fletcher, the panel's chairman.

The letter became available shortly after investigators of the Nuclear Regulatory Commission issued a report last Tuesday that accused companies involved in the cleanup of circumventing proper procedures and using cleanup techniques of questionable safety.

The safety board to which Mr. Lundin belongs was established by the General Public Utilities Corp., owner of the Three Mile Island nuclear power station near Middletown, Pennsylvania, after the accident on March 28, 1979.

In the accident, described as the worst at a nuclear power plant in the United States, radioactive gases and water escaped from a reactor, and momentarily threatened a meltdown of the nuclear core.

For some months, the safety board has expressed its concern over cleanup delays to the regulatory commission. Charges and

countercharges that led to the commission investigators' report caused some of the delays.

Nunzio J. Palladino, the regulatory commission's chairman, expressed his concern about the pace of the cleanup in a memorandum on Sept. 6 to other commissioners. That memorandum was intended to brief other commissioners on a meeting that Mr. Palladino had Aug. 31 with Mr. Fletcher and other members of the Safety Advisory Board.

In expanding on the specific hazard of equipment deterioration, Mr. Lundin wrote: "I keep thinking about those instrument tubes on the bottom of the RV that no one has looked at in four and a half years. Should several of them let go, we'd lose all the water around the core with no remedy in sight." RV stands for reactor vessel.

Mr. Lundin, interviewed by telephone from his home in North Olmsted, Ohio, said his principal worry was that water would escape, leaving the reactor core to generate radiation and endangering workers at the site.

In commenting on the possibility of personnel error, Mr. Lundin said a worker had already incorrectly used an air hose in the auxiliary building, resulting in an inadvertent release of radioactive material to the environment. It was a "negligible" release, he acknowledged.

The letter went on to say: "Somewhat related to the above is the lethargy and lack of sharpness and diligence of all operators and workmen that is bound to set in when little progress is being made or things are at a standstill. Procedures will not be followed with care, a ho-hum atmosphere will set in and mistakes will be made."



PENNY LANES — A California highway patrolman helps clear newly minted pennies from Interstate 80 after a truck carrying 576,000 worth of the coins from Denver overturned 60 miles north of Sacramento.

Letelier Lawyer to Seek Prosecutions of Chileans

By Stephen Kinzer

New York Times Service

SANTIAGO — A lawyer who represents the family of Orlando Letelier, a former Chilean diplomat who was killed in the United States, has stated his intention to begin new efforts to prosecute Chilean officials implicated in the crime.

But other lawyers and diplomats said they doubted substantial progress could be made in the case while the military remains in power in Chile.

The Letelier family lawyer, Jaime Castillo, returned to Chile this month after two years in forced exile. He said in an interview last week that he planned to resume work on the case "as soon as I get settled."

Michael Vernon Townley, an intelligence agent for Chile who was born in the United States, was convicted in a U.S. court of killing Mr. Letelier, a former Chilean foreign minister and ambassador to the United States who had begun an international campaign against General Augusto Pinochet's government.

In court testimony, Mr. Townley confessed to placing a bomb under Mr. Letelier's car on Sept. 21, 1976. The bomb was set off while Mr. Letelier was on his way to work in Washington, killing him and an American associate, Ron Moffitt.

Mr. Townley served 60 months in jail in the United States and was released this year.

He testified that he had been sent to the United States to carry out the assassination by the National Intelligence Directorate, the Chilean intelligence agency, which is now dissolved. Efforts by the United States to extradite the former head of the agency, Manuel Contreras Sepúlveda, and two officers of the agency were rejected by the Chilean Supreme Court in October 1979. Under Chilean law, the extradition case cannot be reopened.

"It is not considered likely that a country would allow the head of its intelligence service to be extradited," said a Western diplomat who has been following the case.

The Supreme Court decision, however, left open the possibility that military courts could proceed

U.S. Refuses Admittance To Salvadoran Leftist

By Charles Mohr

New York Times Service

WASHINGTON — The State Department has refused to permit one of the top political leaders of El Salvador's leftist coalition to enter the United States, where he was to have met with members of Congress and address two forums on Central America.

The Salvadoran, Robén Zamora, had been given permission to visit the United States several times in the past, most recently in June. He also met recently in Central America with Richard B. Stone, President Ronald Reagan's special envoy, to discuss the civil war in El Salvador.

A State Department spokesman said that permission for Mr. Zamora to enter was denied Friday because during the June visit Mr. Zamora had noted that the five armed guerrilla components of the leftist coalition had taken full responsibility for the killing in San Salvador in late May of Lieutenant Commander Albert A. Schanfelberger 3d, the deputy commander of U.S. military advisers in El Salvador.

The spokesman also asserted that while in the United States, Mr. Zamora had stated that the guerrillas "can't guarantee that this won't happen again."

Interviewed by telephone in Managua, Mr. Zamora disputed this version of events.

He contended that during the June visit he had been asked by a journalist whether it was true that the Farabundo Martí National Liberation Front, the armed league of five guerrilla groups, had taken full responsibility for Mr. Schanfelberger's death.

"I merely said yes, because it was a matter of fact," Mr. Zamora said. "I also said quite clearly that we regretted that I never approved of the death."

Mr. Zamora is a leading spokesman for and general secretary of the Revolutionary Democratic Front, the guerrillas' political arm. Representative Jim Moody, a Wisconsin Democrat who had im-

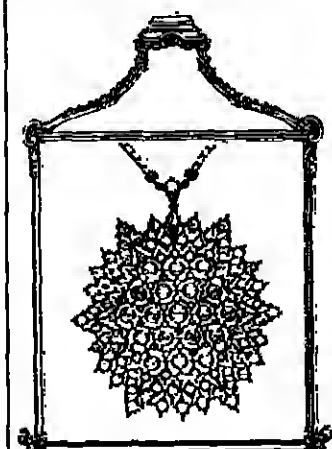
vited Mr. Zamora to Milwaukee to speak to a conference on Central America, sent a letter to Secretary of State George P. Shultz condemning the department's action.

■ **Nicaraguan Cancels Visit**
A senior Nicaraguan leader has canceled plans to visit the United States, saying that Washington was taking too long to decide whether to give him a visa. The Washington Post reported from Managua.

Carlos Nuñez, president of the Council of State and a member of the nine-man Sandinista National Directorate, had planned to lead a delegation to the United States to study U.S. electoral procedures.

The council said Ambassador Anthony C. Quaintan had quoted the State Department as recommending that the visit, which was to have begun Monday, be postponed.

Early this month, Langhorne A. Motley, assistant secretary of state for inter-American affairs, canceled a visit to Nicaragua after experiencing difficulties in obtaining a visa.



John P. McGoff

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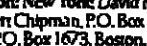
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Cranston Claims Backing Of Black-Latin Coalition

By Don Irwin

Los Angeles Times Service

WASHINGTON — Senator Alan Cranston of California has announced the formation of a black-Hispanic coalition that supports his campaign for the Democratic presidential nomination.

Senator Cranston, in an address Saturday to about 45 coalition members representing a dozen states, said other candidates had failed to form such a group because they had treated blacks and Spanish-speaking Americans as separate entities.

"President Ronald Reagan, he said, is 'ignoring black Americans' even as he takes part in events that appeal to Hispanic Americans."

Among the organizers of the Cranston coalition, campaign workers indicated, are Cesar Chavez, the leader of the United Farm Workers union; Representative Esteban E. Torres, Democrat of California; Vilma Martinez, the former director of the Mexican-American Defense and Education League; and Willie Brown, the speaker of the California State Assembly. All are Californians.

The coalition is "very sound," Mr. Cranston said, because blacks and Hispanic Americans "make up a disproportionately large percent-

age of the poor and disadvantaged."

He added: "Both suffer most from government and social neglect and discrimination; both consist of a disproportionately large percentage of loyal Democrats."

Together, he said, they are "the largest potential group of deciding voters in more than 100 congressional districts" and could be a decisive voting bloc in a presidential campaign.

Mr. Cranston said the formation of the coalition began after the straw poll in Wisconsin in June, in which he unexpectedly defeated former Vice President Walter F. Mondale.

He predicted a good showing in an Oct. 8 straw poll in Iowa, in which the two perceived leaders in the campaign for the Democratic nomination, Mr. Mondale and Senator John Glenn, Democrat of Ohio, will be presented at a party dinner.

"I'm not predicting victory in that straw poll," Mr. Cranston said. "I am predicting I'll demonstrate, with the support of blacks and Hispanics, that I'm competitive with the two so-called front-runners, and the black-Hispanic coalition will be a strong part of that demonstration."

BRIEFS

Ted Still in France

An anticipated weekend defection of Ted Kennedy from the Democratic ticket appeared Sunday to have failed as an air force base here.

Notes on Solidarity

— Loch Walcott returned from a solidarity labor movement tour in regional union circles. An interview, carried in the Washington Post, said that the movement increased in different places and

ants Extend Strike

— Workers on Sunday agreed to extend their strike, leaving Belgium without a newspaper and a television station on Tuesday.

Plum in Australia

— A former senior Filipino diplomat about the murder of Benigno Aquino Jr. has applied for political asylum in Australia.

1,000 Protesters

— Pakistan's military government from prison to end the first amnesty since the opposition

eva Protest Missile

city West German women and deployment of U.S. and Soviet troops there began Aug. 6. A human chain between the U.S. and Soviet troops began Aug. 6.

Test Called a Success

The final flight test of the B-1B Lancer was a success, according to the Air Force. The test was a success, according to the Air Force.

America's Cup Boat

UPR — Australia II sailed to victory Sunday over the American boat, the defender of the America's Cup, the defender of the America's Cup.

nd: What Comes

in Popularity

— More than 50,000 workers capital in Uruguay said they would strike Friday at a demonstration

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INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

On With Arms Control

President Reagan's decision not to let the Soviet attack on a South Korean airliner disrupt arms control talks was a courageous rebuff to some of his conservative allies. New evidence of Soviet paranoia only strengthens the case for curbing the arms race and maintaining a stable military balance.

The question now is whether the aim is talk or agreement. For real progress, Mr. Reagan has to seek difficult compromises.

Doubt about the president's approach arises from his past reluctance and from the presence of some advisers who regard negotiations as a mere tactic for avoiding arms control. They seem to believe that Mr. Reagan can exploit the airliner affair to win congressional votes for the MX missile and the military budget and also to overcome resistance in Europe to the deployment of new American missiles. But they exaggerate the propaganda gains and misread American interests.

Substantial American initiatives in the arms control talks continue to be the prerequisite for congressional and allied support of the administration's weapons policies. The airliner incident has not erased the memory of the president's long hostility to negotiations. He shelved the SALT-2 treaty, even while observing it, and suspended negotiations to ban anti-satellite weapons, chemical arms and all nuclear tests. Foot-dragging on Euro-missiles and strategic arms was followed by unrealistic proposals for disproportionate Soviet cutbacks.

Now, technology is driving the race in strategic and anti-satellite weapons, and time is running out for an agreement that could prevent a new competition in medium-range mis-

siles in Europe. Despite outward steadfastness, the allied governments are worried about how long they can support deployments in the absence of rigorous negotiation.

Mr. Andropov's recent offer to destroy rather than merely relocate SS-20 missile launchers that might be removed from Europe stirred some new hope for a deal, although it ignored the overall imbalance. To achieve agreement—or to be able to clearly blame the Russians for failure—the allies want Washington to try to revive last year's informal but aborted accord, which both sides now reject. It abandoned American deployment of Pershing-2 missiles in return for a ceiling of 75 cruise missile launchers for the United States and 75 SS-20s for the Soviet Union.

A more flexible American position in the separate strategic arms talks is similarly a prerequisite posed by key Washington legislators. They want the president to drop his unrealistic demand for a total restructuring of the Soviet forces and to adopt the proposal of the Scomeroff commission that both Soviet and American forces be gradually shifted toward small, single-warhead missiles. Without more negotiable American proposals, it is unlikely that the administration can prevail with even limited development of the MX.

No agreements, of course, are possible without comparable movement in Soviet positions. Experience suggests that flexibility emerges most often in Moscow in reply to reasonable American initiatives. After the Soviet humiliation in the airliner affair, a sound offer on the table might well evoke such flexibility.

—THE NEW YORK TIMES

Tests for Democrats

The first real tests in the race for the Democratic presidential nomination will come, one after another, starting at the end of this month. These contests will not decide the nomination; in fact, no delegates will be selected. But the results will help to shape the campaign.

On Friday morning, Sept. 30, in Washington, the National Education Association's board of directors will meet to vote on a presidential endorsement; a 58-percent vote is needed to win. The expected winner is Walter Mondale, the former vice president, who had close ties to the NEA when he was in the Senate and as a member of the NEA-endorsed Carter-Mondale ticket. The lack of suspense about the outcome, and the fact that state NEA affiliates do not have to go along, should not obscure the value of this endorsement. The NEA sent 302 delegates to the Democrats' last convention, and the association's members, spread across almost every part of America, are good campaign workers.

On Saturday morning, Oct. 1, the general board of the AFL-CIO will assemble at the Diplomat Hotel in Hollywood, Florida, to vote on its endorsement—which Mr. Mondale is also expected to win. The scheduling of the endorsement this early was taken as an indication that union leaders had decided to back him. Other candidates are talking wistfully of preventing him from getting the two-thirds vote needed to win. (The endorsement will not be final until voted by the full conven-

tion on Wednesday, but there is no doubt that the convention will follow the board.)

Labor leaders are not universally popular these days, and this endorsement might hurt a Democrat in the election. But no Democrat wants to attack union leaders in the primaries, and the endorsement, if Mr. Mondale wins it, should do nothing but help him in the spring. The question is how much. The AFL-CIO has not endorsed so early before, and its 14 million members no longer automatically heed their leaders' advice. They are not spread evenly across the country, either, and some of the early Democratic contests—in New Hampshire and the South—are in states with low union memberships. But it is still an endorsement that any candidate would like to have.

On Saturday afternoon, Oct. 1, there will be a straw poll at the Maine Democratic state convention in Augusta. Mr. Mondale, Alan Cranston and Ernest Hollings have been campaigning vigorously, seeking out and talking to the 3,000 local and party officials who are eligible to vote; these are pretty much the same people who will select Maine's national convention delegates early in 1984. Failure to win or to meet some arbitrary goal in a straw poll should not be taken as a sign of weakness. But the ability of a lesser-known candidate to do well in a straw poll, as Mr. Cranston did in Wisconsin in June, is evidence that he may be able to win support in a contest that counts.

—THE WASHINGTON POST

Other Opinion

KAL 007: Reactions in America

Hearts all over the world were chilled. [There is need for] the maturity and restraint of nations that know the costs of escalating confrontation in the nuclear age. It will need dialogue and communication to keep emotion from dictating events.

—The Anchorage (Alaska) Daily News

While there is an appalling reaction to the barbaric behavior, there is also the feeling that it is quite in character for the Soviets to have perpetrated this atrocity. That raises all kinds of questions about dealings with Moscow, especially in the critical area of arms control.

—The (Cleveland) Plain Dealer

There can be no doubt that Andropov is in full command of making the Soviet Union's case to the world. And this has brought the biggest surprise: The job has been bungled terribly. Andropov has displayed great ineptness. Soviet officials and Western experts alike had considered him to be a very sophisticated man, far more astute and tactically flexible than Leonid Brezhnev. But the way he is handling [the] incident raises serious questions about the degree of his sophistication in dealing with the West and his true power in the Soviet political establishment. The course he has adopted has been the worst he could possibly take from the standpoint of world opinion. He has refused to express regrets or apologies, he refuses to compensate the families and be-

refuses even to take measures to try to prevent another catastrophe in the future. This is certain to bring maximum disgust.

—Professor Seymour Bialer of Columbia University, in U.S. News and World Report

Civilian airliners that mistakenly wander into the airspace of other nations deserve to be treated like any vessel in distress. And if Soviet officials cannot provide assurances that such treatment will be accorded foreign aircraft, then Soviet civilian aircraft should be denied access to the airspace of other countries.

—The Pittsburgh Post-Gazette

President Reagan should withdraw diplomatic recognition from the Soviet government, close the Moscow embassy, order the departure of all Soviet nationals, cancel all trade agreements and close all airports and ports to Soviet planes and ships.

—The Richmond (Virginia) News Leader

In all the horrid aftermath of the death of 269 human beings, I am most struck by the way their murder has brought life to America's most barbaric Soviet-watching. If it were my mother, brother or child, I would be saddened to see these deaths escalate the possibilities of universal catastrophe. I would be appalled to see the remains of the peace movement wash up on the political shores like grisly debris on the beaches of Japan.

—Syndicated columnist Ellen Goodman

FROM OUR SEPT. 19 PAGES, 75 AND 50 YEARS AGO

1908: Bulgaria Awaits an Apology

SOFIA — The Gueshoff incident is seriously occupying Government circles. Bulgaria desires satisfaction for the incorrect treatment of M. Gueshoff by Tewfik Pasha, but the Porte remains silent, without giving the least explanation. Should Turkey continue to be indifferent to the Bulgarian claims, General Paprikoff, the Minister for Foreign Affairs, will by a formal note demand satisfaction from Tewfik Pasha for his incorrect attitude, and also the regularization of the situation of the Bulgarian Diplomatic Agent, M. Gueshoff, who until now has been considered as a member of the Diplomatic Corps. If Turkey does not satisfy these demands, diplomatic relations will probably be broken off.

1933: Cheaper Dollar Demanded

WASHINGTON — The increasing congressional inflation bloc, whose knocks at the White House door for currency expansion are becoming alarmingly loud, gained a powerful ally when cotton operators from 11 states, meeting in Washington, joined in the demand that the President cheapen the dollar to give the farmer an opportunity to pay off his debts with cheap money. Sen. Elmer Thomas of Oklahoma, who has become the leader of the inflation movement, is gathering around him more inflation advocates daily. Despite the mounting tide, there was no indication that the President would recede from his determination to ease credit as a means of aiding industry, business and agriculture.

High Time to Reverse Gears

By Stanley Hoffmann

CAMBRIDGE, Massachusetts — The ghastly affair of the South Korean airliner that have often provoked world disasters: the combination of the accidental and the inevitable — like the shooting of an archduke at Sarajevo in 1914.

The dreadful Soviet decision can clearly be seen as the product of another potentially catastrophic combination: of the Soviet military's vast autonomy in all matters of national security (including arms control), and of the Soviet conviction that the Reagan administration has adopted a relentless, coherent strategy aimed at obtaining nuclear superiority as a way to achieve political and economic warfare, at changing the world "correlation of forces" and at eliminating from Soviet-American competition the cooperation, however limited, that previous presidents had sought to preserve or enlarge at least since Dwight D. Eisenhower.

Are we thus propelled on a collision course, like the great powers at the beginning of this century? Until recently one could take paradoxical comfort from the one great transformation of international politics: nuclear weapons, which have injected extraordinary caution into the superpowers. Despite the global scope of the superpowers' contests and their conflicting values and interests, they have so far avoided direct clashes.

When America had clear nuclear superiority it was deterred by the fear that a nuclear attack on the Soviet Union would provoke a Soviet invasion of Western Europe. After that the balance of terror re-

sulted in what McGeorge Bundy has recently called "existential deterrence," a situation in which fear of mutual annihilation has prevented both sides from going too far.

Some commentators argue that this balance of terror led to America's prudence in its retaliation for the Soviet "massacre." But would Moscow have let the plane escape if it had been identified as American? And if they had not, how would Washington have reacted?

In the long run it is another combination of factors that gives the greater cause for concern. They include the deterioration of relations, interruption of exchanges, breakdown in communications, the dialogue of the deaf in the various arms control negotiations, the escalation of hostile rhetoric.

These factors include the effect on Moscow of a U.S. policy that, while blaming the Soviet Union for events that have roots as deeply local as those in Central America, rejects its claim to be a great power and refuses to acknowledge Soviet interests in an area as close to the Soviet Union as the Middle East.

They include the effects on America of a Soviet military buildup in Western Europe and in the Far East that seems aimed at intimidating America's friends and allies in peacetime and at neutralizing America's retaliatory nuclear force if war should break out.

Another factor is the evolution of the arms race. Stable deterrence, a condition in which neither side believes it could gain an advantage

by striking first — is being undermined and replaced by a profound destabilizing condition in which each side accumulates weapons that are vulnerable to enemy attack, that can destroy at least part of the enemy's weapons, and that will soon become unenviable — in other words, weapons that in a crisis may tempt either side to strike first in order to gain an advantage or to avoid a major defeat.

Despite details, both sides seem to be working to make nuclear warfare possible, even though nobody knows how it could be waged "rationally" or kept controlled. In a situation of extreme tension, the illusion of limited nuclear war may appear preferable to any available political alternative.

The airliner tragedy points to the urgent need for a reversal of gears in the arms race and in political relations. Otherwise the deterrents on which we rely out of habit will yield to a vicious circle in which every cooperative approach will look like appeasement and every show of strength like a provocation.

The Soviet action has made a return to cooperation more difficult and unlikely. Those who say there can be no such cooperation with a totalitarian and paranoid regime appear vindicated. But the logic of their position is one of global war. Maurice Couve de Murville, the former French foreign minister, used to say that if one doesn't want war one must strive for peace.

The writer is chairman of the Center for Strategic Studies at Harvard University. He contributed this comment to The New York Times.

KAL 007: Anger on Reagan's Right

By David S. Broder

WASHINGTON — Carl D. Ford, a conservative Mississippi Democrat, set down after the KAL 007 disaster and wrote a letter to President Reagan, whom he helped put in the White House in 1980.

"From your action to date," he wrote, "I cannot tell if the anger you have expressed... is over the actions of the Russians or having your vacation cut short... As miserably as he handled the Iranian hostage situation, even Jimmy Carter didn't publicly give his leisure time priority."

Mr. Ford went on: "Don't be too smug in thinking that the conservatives have no place to go in 1984. I assure you that if you show no more respect for... this difficult situation than to go through a charade at the UN and... resume business as usual... grain deals, pipeline and other technology transfers... then you have convinced me that a vacation is more important than standing on principles. In that event, I intend to exercise an old and honorable Southern Democratic tradition on election day 1984, and go fishing."

When I asked his permission to reprint part of his letter, Mr. Ford not only agreed but said he would be happy for everyone to know he thinks the president he strongly supported until Sept. 1 "is acting like a wimp."

Paul Weyrich, the head of the Committee for the Survival of a Free Congress, received a copy of the Ford letter — and, he says, "an incredible number" like it — after writing a guest column in USA Today expressing criticism of Mr. Reagan's "mild" reaction to the Soviet attack.

Mr. Weyrich says he is convinced that, more than any act of his presidency, the Reagan decision not to retaliate with strong sanctions against Moscow may cost him "the military of his militant supporters," if not their votes, next year.

Howard Phillips, chairman of the Conservative Caucus, another New Right group, employed a vivid analogy. "This was Ronald Reagan's Falklands crisis," he said, "and he did not respond appropriately."

Criticism of Reagan "moderation" is not all fanatics.

Anti-communism is a bedrock issue for the conservative movement. Mr. Reagan almost beat Gerald Ford for the nomination in 1976 by inveighing against "détente." The idea that their president is less tough than Margaret Thatcher, let alone Jimmy Carter, is a shattering one for those who have followed Mr. Reagan, and particularly for the shock troops of his political army.

Mr. Weyrich is right when he says that in the last two closely fought elections that the Republicans lost — with Richard Nixon in 1960 and Gerald Ford in 1976 — a factor contributing to defeat was the fact that "conservatives were upset and we didn't knock ourselves out working."

I remember Lydia Miller, a Reagan delegate from Missouri at the 1976 Republican Convention, telling me when Gerald Ford won that working for him could "no way" be like the "holy crusade" she had mounted for Mr. Reagan. "I'll support the whole Republican ticket," she said, "and we will do the routine, mechanical work of the campaign. But there's no way it can be the same."

That disaffection hurt Gerald Ford in 1976. A similar degree of disillusionment in the heart of his support could be a very serious problem for Mr. Reagan in 1984. Maybe he can rekindle the fires. But the loss of enthusiasm and the threat of a less than all-out effort from the hard-core conservatives is a real loss politically.

The Washington Post

How to Use Airwaves

The Soviet leaders can be most kindly described as inhumane and incurably paranoid. For the sake of all of us, including the peoples of the U.S.S.R., a responsible leadership must be encouraged to replace them. A significant step in this direction could be a massive re-education campaign via the airwaves, informing the Soviet populations of the true nature of the world beyond their caged-in state. This method has worked with limited success in several of the East European satellite countries.

But by no means should the Soviet Union be further isolated from the rest of the world — other than by temporary sanctions to convey the world's abhorrence of the downing of a civilian airliner. For that would only feed paranoid Soviet fears of being surrounded by enemies.

Unquestionably this process will take time, but there is no alternative to cautious coexistence given the possibility of assured mutual nuclear destruction as the other option.

CARL KOCH, Frankfurt.

Hate-and-Fear Rhetoric

Although many questions remain to be answered, the Soviet shooting down of the Korean airliner is to be

has been a constant theme of such New Right leaders as Mr. Weyrich, Mr. Phillips and Richard Viguerie, publisher of Conservative Digest. It began in the administration's first year and never stopped. The White House has tended to brush it off on the ground that, come election day, "these people have no place to go. That is still the attitude."

A Republican strategist with very close White House ties accuses the three critics of "playing to their mailing lists," and points out that support of the president's response has been near-unanimous in Congress. Other Reagan advisers argue that by being strong in rhetoric but measured in action, Mr. Reagan has probably assuaged fears that he was "trigger-happy" and strengthened his position with the general public.

But as one who has endorsed the president's actions in this case and has dismissed the threat of political retaliation from the New Right in the past, I am beginning to think the White House may be a bit quick in assuming there is no political risk in antagonizing that faction this time.

Carl Ford and the others who have been telling the pollsters that Mr. Reagan's response was "not tough enough" are not all fanatics. Anti-communism is a bedrock issue for the conservative movement. Mr. Reagan almost beat Gerald Ford for the nomination in 1976 by inveighing against "détente." The idea that their president is less tough than Margaret Thatcher, let alone Jimmy Carter, is a shattering one for those who have followed Mr. Reagan, and particularly for the shock troops of his political army.

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The Washington Post

Moscow Makes Its Point

By William F. Buckley Jr.

NEW YORK — The dominant impulse in what one legitimately designates as the "appeasers" — that is, those who simply are not disposed to make strenuous efforts to resist Soviet imperialism — was first to doubt, then to belittle the shooting down of the Korean airliner.

The term "appeaser" is not used here merely as a lazy pejorative. The appeaser tends to oppose a national draft, to oppose any increase in defense spending, to oppose economic boycotts, cultural boycotts, boycotts of athletic events.

It is undeniably true that the Soviet Union holds sway over Eastern Europe, is actively engaged in a war against Afghan independence, is consolidating victories in Southeast Asia and is fomenting revolution in Central and South America. The American appeaser opposes any realistic strike on such Soviet enterprises.

The relevant questions after the downing of the airliner were: 1) How does one punish a punishable act? (The answer: By demanding reparations.) 2) How does one take reasonable steps to see to it that such an act is not committed again? (By getting assurances from the culprit.)

The appeasement community in America has not demanded reparations in any meaningful way. To ask Moscow kindly to pay money to the families of survivors is not to be confused with "demanding" reparations. On the matter of assurances from the Soviet Union that nothing of the sort will happen again, the appeasers have come much closer to getting from the Soviet Union assurances that precisely the same kind of thing will happen again to any airplane detected over Soviet territory.

Then there is the school, not unrelated to the appeasers but distinct from them, that says we vastly overestimate the power of the Soviet Union and in so doing merely betray our paranoia and our disposition to serve those whose interest in defense is purely commercial.

One gentleman wrote to me during the crisis to say: How would you like

if the Soviet Union had nuclear weapons in Mexico and Canada? It would bother me not at all provided the Soviet Union were Switzerland. Until that happens it would bother me very much, although not all that much more than I am bothered by the existence of weapons whose arrival time between Russia and Detroit is only 15 or 20 minutes more than if they were buried in the plains of Manitoba or in the Sierra Madres.

The school goes on to say: Hell, the Soviet Union is a military mess. It took them two and a half hours to shoot down that airliner, and they probably didn't in fact know it was an airliner, so rudimentarily is their equipment; and anyway, all you people are about is cranking up American fear so that you can have MX missiles and more profits for defense.

To which an appropriate answer is that the Soviet Union discovered the wheel a long time ago, that it was the first country to orbit Earth and that it now has the undisputed resources to blow the United States to kingdom come. And it is about as convincing to say that Americans favor free speech because we profit from it.

In short: Yes. We all profit from an effective defense.

And finally, diplomats show yet again how insular is their world. Dr. Zhigovskiy, the Soviet ambassador, asked us all the way from Ottawa that the West will have achieved a "significant" "boycott," thereby robbing the word "significance" of any significance.

We felt it triumphant to have lined up 13 countries in the Security Council to back us in complaining about the lost airliner. Canada's 60-day suspension of reloading facilities for Aeroflot is less punishment than a Quebec magistrate would give a kid for merchandising a joint.

The only thing we know for absolute sure that has come out of this is that never again will a Korean airliner carelessly overfly Soviet territory.

And that, ladies and gentlemen, was the point the Soviet Union sought to make. It has made it.

Universal Press Syndicate



After the Rhetoric, Back to Talking

BOSTON — The Soviet Union's behavior deserves the words it has evoked: uncivilized, callous, deceitful. But when the rhetoric is over, what is it useful to do? Would it help security to worsen communications with a rigid, suspicious superpower? To put weapons on more of a hair-trigger basis? The political danger of this human disaster is in fact that it will push Soviet-American relations back into a phase of rhetoric. And we just seemed to be emerging from such a time of barren, hostile, dangerous talk.

—Anthony Lewis in The New York Times

The Abiding Concern Is Still Security

WASHINGTON — The airliner crisis reminds us of the ugliest traits of the Soviet leadership, but it does not alter the prior mutual requirement to reduce the risks and costs inherent in the possession of nuclear arsenals. President Reagan will finally be judged not by his response to the airliner affair but by his contribution to making the United States more secure.

—Stephen S. Rosenfield in The Washington Post

When Opposing Ideas Are Both Right

WASHINGTON — The sign of an intelligent man, F. Scott Fitzgerald once wrote, is being able to keep two opposing ideas in his mind at once and still function. Dealing with the Soviet Union requires just that skill.

For many years Americans have understood that their vital interest lies in being able to prevent a nuclear war with the Soviet Union. Unlike Nazi Germany, this hostile and brutal leadership cannot be extirpated through military action. Ways have to be found to live with the Soviets on the same small planet, crowded with nuclear weapons. At the same time, there can be no doubt that the leadership in Moscow, with which we must coexist, is capable of unspeakable acts. Being clear about both ideas, and still being able to function, is a great psychological and political challenge.

—Robert E. Hunter, a senior fellow at Georgetown University's Center for Strategic and International Studies, writing in the Los Angeles Times

How a Democratic Society Handled It

LOS ANGELES — It was 10 years ago. The defense minister of the country that had shot down the civilian plane insisted that it was not a crime, but a matter of preserving the security of vital military bases. He produced the pilot who pulled the trigger to testify that the civilian plane had behaved oddly, would not obey signals to land, ignored warning shots and clearly appeared to be spying. His nation would not admit to guilt for the tragedy.

The defense minister was Moshe Dayan of democratic Israel, who in 1973 was called upon to defend his country's shooting down of a civilian Libyan airliner that had strayed over the Israeli-occupied Sinai; 110 men, women and children died. In the weeks since Soviet fighters shot down a South Korean passenger plane, very similar words have been heard from the Soviet defense minister. Despite great differences in ideology, the defense ministers' behavior and that of their governments has been remarkably similar.

In the unprecedented hysteria over the Soviet action there has been little public review of the Israeli precedent to determine how a democratic society — as opposed to the totalitarian Soviets — handled precisely such a case. Perhaps it is because such a review would show, alas, that democracies do not necessarily handle such incidents very differently.

—Robert Scheer in the Los Angeles Times

A Testing Time for Yuri Andropov

WASHINGTON — The feelings of many in the peace movement have been eloquently expressed in an open letter to Yuri Andropov by a prominent American advocate of arms control. "Your edge in the propaganda war of peace," the letter said, "was shot down when the Korean jetliner fell from the sky... A new 'get-tough' attitude in the West will hinder our efforts... You now have to decide if the Soviet Union really gives a whit about peace and, if so, how to demonstrate that." Not a word has been heard from the man who heads the supposedly all-powerful Politburo.

—Clayton Kitchery in Newsday

So Much for a U.S.-Soviet Summit?

WASHINGTON — A summit meeting between Ronald Reagan and Yuri Andropov has been described at high levels in the White House as the 270th victim of the South Korean airline downing. "In the short run, Reagan's balanced response to the Soviet action bolstered his standing," an official said after viewing White House public opinion surveys. "It was the right response. But in the long run the summit is more important — and the Soviets shot that down with the same missiles that destroyed flight 007."

—Lou Cannon in The Washington Post

Electronic War in Both Sides' Skies

NEW YORK — The eerie, half-hidden war of radars that never ends between the free world and the communists may help explain — although it cannot excuse — why the Soviet Union shot down Korean Air Lines flight 007. The United States fights this intelligence duel to help its bombers should they ever have to fly against the Soviet Union. The weapons of this war are usually invisible radio waves, satellites and reconnaissance ships.

Whether the Soviets are more sinned against than sinning, it is no way justifies the killing of 269 innocent people. But Soviet leaders perhaps remember something that exerts as powerful an influence upon them as the surprise attack on Pearl Harbor does upon Americans. From October 1940 to June 1941, German airplanes — toward the end averaging more than three a day — penetrated Russian airspace and photographed thousands of square miles of the Soviet Union. On June 22, Hitler invaded.

—David Kahn in Newsday

LETTERS TO THE EDITOR

How to Use Airwaves

The Soviet leaders can be most kindly described as inhumane and incurably paranoid. For the sake of all of us, including the peoples of the U.S.S.R., a responsible leadership must be encouraged to replace them. A significant step in this direction could be a massive re-education campaign via the airwaves, informing the Soviet populations of the true nature of the world beyond their caged-in state. This method has worked with limited success in several of the East European satellite countries.

But by no means should the Soviet Union be further isolated from the rest of the world — other than by temporary sanctions to convey the world's abhorrence of the downing of a civilian airliner. For that would only feed paranoid Soviet fears of being surrounded by enemies.

Unquestionably this process will take time, but there is no alternative to cautious coexistence given the possibility of assured mutual nuclear destruction as the other option.

CARL KOCH, Frankfurt.

Hate-and-Fear Rhetoric

Although many questions remain to be answered, the Soviet shooting down of the Korean airliner is to be

Condemned

Having said that, the extensive hate campaign against the Soviet Union that is being waged by the Reagan administration, with media support, is equally deplorable.

Whatever one concludes about the Soviet action in this incident, hysterical recrimination must not be leveled against the Soviet people and their attitudes. As one of 146 Americans from 19 states who recently visited the Soviet Union, and as a speaker in the many joint demonstrations we held with Soviet citizens for a nuclear freeze and disarmament, I can state that the general mood is for peace and friendship. These joint peace rallies were held in six Soviet cities, starting in Moscow on July 18.

We are constantly reminded of the differences between our societies. The greatest difference I noted — and well before the latest tragic incident — is that although the Soviet people are deeply offended by the remarks of the Reagan administration, they generally like the American people. This contrasts sharply with the anti-Soviet attitude in America.

Only a decade ago, much of the world was condemning the United States as barbaric for our military policy in Vietnam. Remember the years of napalm, saturation bombing and search and destroy missions. The common threat is dominant

Militarism around the world

Government Reports Namibia Approaching Economic Ruin

By Allister Sparks

Washington Post Service

WINDHOEK, South-West Africa — The South African-controlled territory of South-West Africa, also known as Namibia, is sliding into economic ruin as it waits for independence, according to a recent government report.

The report shows that if the rate of decline in the past eight years continues for four more, annual interest payments to South Africa will equal the territory's gross national product.

That means that should the draw-out negotiations produce independence, the incoming black government, which is likely to be formed by the South-West African Peoples Organization, will find itself taking over a bankrupt country.

South Africa, which is reported to have contributed to the swelling debt by imposing an unwelcome suspension on the territory, is keeping the budget balanced with big injections of capital: \$610 million, excluding defense expenditure, in this fiscal year.

According to the report, drawn up by the territory's finance department, Namibia's outstanding debt equals 130 percent of the current national income. The report warns that the debt "could amount to more than four times the expected annual income in the next four years."

By that time, the report said, the sum owed to South Africa in annual interest repayments would equal the gross national product of Namibia.

Not all of Namibia's woes are attributable to the administration that South Africa continues under a previous League of Nations mandate. Recession and the worst drought of the century have taken a heavy toll.

More than 35 percent of the territory's administrative revenues are used to come from the rich deposits of diamonds on the Atlantic coast. The recession, which has weakened the demand for gems, has reduced that to 4 percent.

The recession has also brought the once lucrative karandul industry to its knees. Weak demand for karandul pelts in West Germany, which buys 70 percent of the shipments, sent the price plummeting from an average of \$24 per pelt in 1976 to \$9 last year.

That and the drought have reduced the number of karandul sheep in the territory from 3 million to an estimated 900,000.

Drought has also devastated the meat industry. Cattle ranchers have been forced to slaughter more than 50 percent of their herds.

Fishing, once another mainstay of the economy, is in ruins. Although there are signs of recovery, now, quotas granted earlier by the South African government led to a plundering of the offshore waters. Tough restrictions had to be introduced in 1980, by which time an annual pichard catch of more than a million tons had dwindled to 11,000 tons.

These economic setbacks are compounded by the constitutional system.

The constitution divides government in Namibia into three "tiers." The first tier, or central government, deals with matters of common interest. It was controlled by Dirk F. Mudge's Democratic Turnhalle Alliance, but South Africa found the setup unsatisfactory and suspended it in January. Since then, the Pretoria government has run the first tier directly through its administrator general, Willem van Niekirk.

The second tier consists of 11 authorities set up to administer the affairs of the different ethnic groups. There are 11 departments of education, 11 of health, 11 of pensions, and so on, for a population of just over 1 million.

The third tier encompasses local and municipal government, again separated on a racial basis.

According to the secret government report, the system is hugely wasteful, eating up 75 percent of the national budget.

The unwieldy bureaucracy, tangled lines of authority among the departments, and the poor educational system that has left thousands of posts filled by untrained people have combined to cause large-scale inefficiency and corruption.

An estimated 7 million Ethiopians are threatened by famine and war, according to Bread for the World, a citizens' group that initiated the appeal to the secretary-general and has been lobbying in Congress for increased U.S. aid.

The religious groups and private aid agencies have been pressing the Reagan administration to increase assistance since December, when field workers and UN agencies warned that conditions could develop into widespread famine.

Initially, the administration was reluctant to involve itself further because the Ethiopian government has close ties to the Soviet Union. The United States has helped Ethiopian refugees who have fled to Somalia and the Sudan and has conducted a food program for 138,000 people in Ethiopia.

The administration reassessed its position in June and decided to provide an additional \$3 million for aid. In August the Agency for International Development, which administers foreign aid, authorized another \$6.7 million.

These 12 persons also signed the letter.

The Rev. Warren R. Magnuson, general secretary of the Baptist General Conference; Avery D. Post, president of the United Church of Christ; the Rev. David Stow, executive vice president of the United Church of Christ Board for World Ministries; Foy D. Valentine, executive director of the Christian Life Commission of the Southern Baptist Convention.

U.S. Groups Seek a Truce For Ethiopia

Churches Ask UN Effort, Report a Risk of Famine

By Kathleen Teltsch

New York Times Service

NEW YORK — Fourteen religious and lay leaders in the United States have asked the United Nations secretary-general, Javier Pérez de Cuellar, to help arrange a cease-fire in Ethiopia so that relief supplies can reach famine-stricken areas.

The appeal was made in a letter sent Saturday. The signatories included Bishop James Armstrong, president of the National Council of Churches of Christ, and Lawrence A. Pezzullo, executive director of Catholic Relief Services, an agency working in Ethiopia.

The organizations say that a drought has seriously affected the northern provinces of Eritrea and Tigre, where combat between anti-government guerrillas and Ethiopian troops impedes distribution of food and medicine.

An estimated 7 million Ethiopians are threatened by famine and war, according to Bread for the World, a citizens' group that initiated the appeal to the secretary-general and has been lobbying in Congress for increased U.S. aid.

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Vanessa Williams becomes the first black Miss America. Debra Sue Maffett, the 1982 winner, adjusts the crown.

A New York Student Is First Black To Win the Miss America Pageant

United Press International

ATLANTIC CITY, New Jersey — Vanessa Williams of Millwood, New York, has become the first black to win the Miss America title.

"I think I'm making waves," said Miss Williams, 20, after winning the contest Saturday night. "I don't believe, however, that the fact that I am black has anything to do with the qualifications that I have."

She said the victory "means a lot to me and I think it means a lot to America."

Miss Williams, a musical theater major at Syracuse University, had become the first black in the pageant's 63-year history to capture both the swimsuit and talent events (she sang "Happy Days Are Here Again"). She plans to become a Broadway stage performer.

Miss New Jersey, Suzette Charles, one of three other black contestants, was named first runner-up.

Only a dozen blacks have ever participated in the pageant, which was restricted to whites until the late 1950s, and none had finished higher than Lenora Sullivan of Arkansas, who placed fifth in 1980.

Before Cheryl Brown of Iowa became the pageant's first black contestant in 1970, blacks had appeared on stage in the event only once — in 1922, playing "slaves" to His Oceanic Majesty, the host in the early days.

The Miss America title carries a \$25,000 scholarship; the first runner-up wins \$15,000.

World Bank Sees an African Crisis, Blames Nations' Misguided Policies

By Bernard Weinraub

New York Times Service

WASHINGTON — A World Bank study has reported that despite billions of dollars in recent international aid to Africa, the continent faces a "deepening crisis" that is mainly the result of policies set by African nations themselves.

The report, which was distributed recently to the bank's 146 member countries, expresses "extreme concern" about Africa's economic plight and urges changes in the way nations govern aid.

At the same time, the report says, "new directions of policy" within Africa are crucial, and it implies that the determination of many African nations to build industries, steel mills and airports have proved disastrous. African nations, the report says, should develop coherent agriculture and food programs to keep pace with their rapidly growing populations.

Within 25 years, unless food production in Africa increases dramatically, the region faces unimaginable poverty in which economic conditions "would be characterized by a degradation of the very essence of human dignity," the report says, quoting a recent study by the Economic Commission for Africa.

The World Bank report, which is expected to be discussed at its annual meeting starting Sept. 27 in Washington, says that the African crisis "has arisen from the widespread adoption of policies and incomes which have provided inappropriate production incentives."

A senior World Bank official, commenting on the report, said that although African agriculture had been hurt by drought and declines in prices for such commodities as tea, coffee and sugar, African nations bear major blame for their severe food problems.

He said the so-called urban elite, made up of civil servants, politicians, the military and teachers, had tried to keep food cheap in the cities through government subsidies and overvalued exchange rates. "Cheap food means inadequate incentives to farmers," he said.

The official said that Ghana and Nigeria were two of the "worst cases" of agricultural development gone awry and that the Ivory Coast, Kenya and Malawi had recently tried to improve incentives for farmers.

In the past 10 years the World Bank has provided more than \$12.8 billion in aid to Africa, \$6.7 billion

through its International Development Association, which provides \$50 billion credits at no interest, and \$6.1 billion through the International Bank for Reconstruction and Development, which lends money to nations for large-scale projects and investments at current interest rates. The United States is the largest contributor to the World Bank.

The report also says that "at a time when the willingness of African governments to rethink and revise their programs was increasing," it would be a tragedy if bank contributors failed to help more.

The report also urged coordination of aid and conditions for receiving it. One U.S. official said that \$700 million in aid "cannot be disbursed because each donor has so many requirements and the Kenyan government doesn't have the administrative framework to handle the requirements."

The World Bank official said, "There is a need for donors to clearly recognize that they have to be more disciplined in terms of their selection of projects."

"Africa doesn't need expensive international airports; it needs more efficient airports," the official said. "It doesn't need new highways; it needs highway maintenance."

Zimbabwe's 'Socialism' Is a Malleable Concept

By Michael T. Kaufman

New York Times Service

HARARE, Zimbabwe — Among the ideologically significant events to take place in Zimbabwe recently was an announcement that the governing party was preparing a guide to socialism and a fast-food restaurant's name change from Comrade Kebab to Mr. Kebab.

According to some restaurant employees, the change came about after some influential members of the ruling and avowedly socialist Zimbabwe African National Union thought that Comrade Kebab devalued an honorific that has been so widely used here that even Robert V. Keedy, the U.S. ambassador, has been introduced with it.

In fact, the stylebook of the Zimbabwe Newspapers Ltd., a government-controlled group, specifies that "the honorific Comrade applies broadly to members of the government and ruling party, senior servants and others," but adds, "It is largely up to each individual to decide whether the term should apply to him or her."

The definition of socialism as it is discussed and practiced more than three years after independence is equally elastic.

"Actually, if you analyze it, all the word socialism has meant here to date has been the elimination of racial discrimination," said Willie

Muzorewa, the editor of the Sunday Mail.

Despite references to the ruling party's commitment to build socialism, only a small photo-processing plant has been forcibly nationalized. Moreover, Prime Minister Robert Mugabe has eagerly sought private foreign investment.

The clash between theory and practice produces interesting contradictions. For example, in the center of the front page of the Mail on a recent Sunday was an article with the headline, "No Room for Capitalism in Africa." Below it was a slightly smaller headline that said, "\$8 Million Investment Pays Off." It quoted the director of the Tsumeb Holdings Group as saying, "Our \$8 million investment in various projects here is a measure of the confidence we feel in the future of Zimbabwe."

The ambivalence and contradictions of economic theory and development strategy are further underscored by the way of life of many civil servants who form an emerging elite. Many have acquired large commercial farms from emigrating whites.

Large Mercedes sedans are not uncommon in Parliament's parking lot, and many of the cabinet's 57 ministers move about with retinues of bodyguards. The flamboyance often clashes with Mr. Mugabe's modest comportment and with his calls for a code of probity for those in public life.

Flaunting the perquisites of power is, of course, not limited to Zimbabwe. But here the flaunting is often accompanied by the polemics of class struggle.

For example, the other day, Michael Mumbati, a young television commentator who calls himself a communist, said in a conversation that "we are now in a dialectical moment," which he said meant that a Zimbabwe born of a collective struggle against the white-dominated Rhodesia had inherited a capitalist structure.

"We can pursue a socialist course or we can work with what we have inherited," he said, adding that his tactical preference was to develop the capitalist structure and then work at some future date for a more socialist society.

The conjunction of development realities and polemics is often dissonant. For example, the African government most publicly extolled by Zimbabwe's leaders is that of Mozambique, where most companies are nationally owned.

No one ever cites Kenya, and yet in practice it is the Kenyan model that is being pursued. Emerging black elites are making links with foreign sources of capital to set up and expand ventures. Profits are then largely reinvested here, and in theory jobs are created and prosperity spreads.

As in Kenya, where the elite tended to be government-blessed members of the Kikuyu tribe, particularly from the Kiambu region, so in Zimbabwe there are signs that the most favored group is a particular section of the Shona majority.

400 Are Reported Dead From Flooding in India

NEW DELHI — Monsoon rains have killed nearly 400 people and submerged hundreds of villages in five Indian states since the start of this month, the Press Trust of India reported Sunday.

The floods have marooned nearly a million people in the affected states, which cover much of the north of the country.

An Unshakable Belief That a Quake Is Coming

By Clyde Haberman

New York Times Service

TOKYO — By the end of last week, this city was still standing. That surprised some people. Prophets of doom had been announcing that Tokyo and the surrounding region would crumble.

One forecaster, a meteorologist named Masatoshi Sagar, managed to lull nerves and make the best-seller list with a book predicting disaster between Sept. 10 and Sept. 15. According to Mr. Sagar, Mount Fuji, the spectacular volcano that is a national symbol and treasure, would erupt for the first time since 1707. Just before or after, a riposte of an earthquake would rattle the capital and outlying areas. Millions of people would be killed.

Other scientists said that Mr. Sagar might know his weather but, seismologically speaking, stood on shaky ground. Still, many Japanese took his prediction as gospel.

Late-summer tourists stayed away from Mount Fuji, cutting into the local economy by an estimated \$8.5 million. Some Tokyo residents left town. "I was afraid," said Isuko Takamura, 33, a clerical worker who thought it a propitious moment to visit her parents on the island of Kyushu.

A few architects drew up elaborate plans showing how some good might come of an earthquake: It could give city officials the opportunity to rebuild this crazy-quilt city properly.

Most Japanese are convinced the opportunity to rebuild will come, and there are good reasons for their attitude. Japan is jolted by 1,000 tremors a year, most of them mild vibrations but a few quite strong ones as well. Tokyo was rocked hard twice in August.

An earthquake awareness — some would say mentality — is inculcated at an early age. For example, all Japanese children learn about the Great Kanto Earthquake, named for the plain in which Tokyo lies. At 11:58 A.M. on Sept. 1, 1923, the city endured tremors later measured as 7.9 on the Richter scale. Much of Tokyo and nearly all of nearby Yokohama were demolished, and more than 100,000 people died, mostly from fire.

A government study estimates that a quake of comparable magnitude today would kill at least 36,000 people; skeptics look at crowded Tokyo and dismiss that forecast as too optimistic. Tokyo University's Earthquake Research Institute said that doubts such a jolt is likely for another century. He hastily added, however, that in general, "Tokyo is not safe."

A more likely immediate victim, according to Professor Utsu and others, is the Tokai region 100 miles (160 kilometers) to the southwest. It has been devastated four times since 1046. After 120 years of quiet, some scientists believe a major earthquake is overdue.

Although the government puts \$25 million a year into earthquake prediction research, there is no certain method. Through Japan, 23 monitoring stations check for shifts in the Earth's crust. Some researchers advise studying catfish, which are said to act strangely before tremors, or electronic waves, or cloud formations or giant squid.

Most people, however, forget about such things and concentrate on staying alive once an earthquake does hit. While Americans place Gideon Bibles in hotel rooms, the Japanese put flashlights. Department stores do a brisk business in "disaster prevention goods," such as food kits, hard hats and portable toilets.

Just before Mr. Sagar's armageddon was supposed to arrive, the Yokohama city government was swamped with inquiries about a range of products it was selling: metal fittings to secure furniture to floors, specially filtered water and human-waste coagulant.

A recent survey by an industry group indicated that 26.3 percent of Tokyo families carry earthquake insurance. The Tokyo metropolitan government does its share, too. It is ready with enough biscuits for 8.5 million meals (perhaps two days' worth), enough water to keep 4.1 million people going for 51 days, and warehouses stocked with rice, blankets, underwear and straw mats.

Every year on Sept. 1, Tokyo and adjacent districts hold earthquake drills that send pedestrians running to parks and schoolchildren crawling under desks. Still, newspaper editorials complain that government disaster plans are inadequate and that not enough people are "mentally prepared" for a quake.

EPA Is Reported To Loosen Rules On 2 Pollutants

New York Times Service

WASHINGTON — New rules proposed by the Environmental Protection Agency to govern two environmental hazards would permit greater health risks than presidential administrations considered acceptable, according to agency officials.

The agency's administrator, William D. Ruckelshaus, said the new rules were subject to change and that he was not establishing a pattern of permitting higher risks from pollutants. He did not contest the assertion that the recent federal regulatory proposals embodied risk levels higher than those that had been previously accepted.

According to agency officials, Mr. Ruckelshaus has acceded to a proposed standard for radiation from active uranium mills that could result in one death from cancer for every 1,000 people exposed near the mills over a lifetime.

In July, Mr. Ruckelshaus proposed a regulation for emissions of arsenic into the air that, according to the agency's estimates, would present a risk as high as two deaths for each 100 people exposed to the highest amount of the pollutant for the most prolonged time. No final action has been taken on that proposal or the one involving the uranium mills.

Several officials in the EPA who asked not to be named said that the risk levels accepted in these standards were far higher than the risks permitted by the agency before the Reagan administration.

LETTERS TO THE EDITOR

Matters of Perspective

A Western air attaché is reported (IHT, Sept. 12) as saying that it is impossible not to be able to distinguish between a Boeing 747 (231 feet long and 63 feet high) and the KC-135 (136 feet long and 38 feet high). That is rather like saying that solar eclipses are impossible because the sun is 864,000 miles in diameter and the moon only 2,160 miles in diameter.

J.J. RAMSDEN,
La Chaux-de-Fonds, Switzerland.

Old Rules, New Times

Regarding "The Rules According to International Law" (IHT, Aug. 30) by Eugene Rotow.

Mr. Rotow asserts that states in the world today should be held to "the rules of modern international law, reaffirmed in the United Nations Charter." Underscoring this position, he observes, are states that seek to "legitimize international use of force" in the name of socialism, national liberation or self-determination.

The thrust of Mr. Rotow's argument contains echoes from another unstable time, the half century prior to World War I. Then statesmen were unwilling to see the implications of technological change, emergent ethnic nationalism, the

growing forces of democratic liberalism, imperial competition. In 1900, traditional methods of resolving world conflict were through balance-of-power alliances, secret treaties and war threats. Unfortunately for the world, those 19th-century rules no longer worked for 20th-century problems. By misreading the times, traditionalists in policy-making helped create a catastrophe for the world.

International rules observed by the Great Powers of that time were rudely swept aside by new political forces that were beyond the old order's power to contain. Today one cannot escape the lesson "Modern" international law, as formulated in the 1920s by the established Western democracies and has been perpetuated largely by these same powers. At the same time, world forces have continued to evolve which have very little to do with the nature of states as understood in 1930 or even 1945.

It is futile to hope that the old rules of international restraint, no matter how revered, can ever again be "generally and reciprocally observed" throughout the world. To commit the conduct of U.S. foreign policy to such a hope is to condemn it to relive the mistakes of an earlier period with its ghastly outcome.

LAWRENCE HARRIS,
New Delhi.

Letters from Seoul

I am a teacher in Hankook High School in Seoul, and we have around 3,000 students. I teach English. Throughout my career I have noticed that many students of our country are anxious to have pen friends in foreign countries.

Such a correspondence will stimulate international understanding, as well as the true foundation for world peace.

If any schoolboy or schoolgirl wants to be a pen friend with a Korean boy or girl, he or she should please inform us of his or her name, address, age, sex and hobby. We will in turn pass this information on to our students, and they will write the letters to their liking.

KIM HAE-JEONG,
P.O. Box 20, Central,
Seoul.

Soccer Frustrations

Regarding "Soccer's Hoofingism, Root and Branch" (IHT, Sept. 7) by Rob Hughes:

I wish English newspapers would print articles as thoughtful as this one by Rob Hughes on soccer violence. Yet I consider that one point still remains: Why is it soccer that produces this appalling catalogue of events? Other sports are not entirely blameless, but soccer has by far the worst record.

Perhaps it is so because soccer is neither a contact nor a non-contact sport. Those who watch rugby football or tennis know exactly what to expect. Soccer is in a no-man's-land between the two. This leads to inevitable frustration, intensified by the infrequency of success — two or three goals per 90 minutes is usual. The violence would be a reaction to the frustration.

The surprising thing is that companies are prepared to spend large sums sponsoring such activity.

A.L. ANDREWS,
Hemel Hempstead, England.

Letters intended for publication should be addressed to the editor and contain the writer's signature, name and address. Brief letters receive priority, and letters may be edited. We cannot acknowledge all letters, but we value the views of the readers who submit them.

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This announcement appears only as a matter of record.

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Lehman Brothers Kuhn Loeb

Black & Decker

4,500,000 Shares

The Black and Decker Manufacturing Company

Common Stock

INDEX

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All of these securities have been sold, this announcement appears as a matter of record only.

July 1983

MALAYSIA

RM 300,000,000

Term Loan

The Industrial Bank of Japan, Limited The Long-Term Credit Bank of Japan, Limited The Industrial Bank of Japan, Limited The Long-Term Credit Bank of Japan, Limited

All of these securities have been sold, this announcement appears as a matter of record only.

August 1, 1983

U.T.B.

The Long-Term Credit Bank of Japan Finance N.V.

DM 100,000,000

8% Deutsche Mark Bearer Bonds of 1983/1990

under the irrevocable and unconditional guarantee of

The Long-Term Credit Bank of Japan, Limited

All of these securities have been sold, this announcement appears as a matter of record only.

July 1983

THE BANK OF GREECE

Yen 10,000,000,000

Medium-Term Loan

The Bank of Tokyo, Ltd.

All of these securities have been sold, this announcement appears as a matter of record only.

U.S. \$125,000,000

Richardson-Vicks Overseas Finance N.V.

11% Guaranteed Bonds due 1993

Unconditionally Guaranteed as to Payment of Principal, Interest, if any, and Interest in

RICHARDSON-VICKS INC.

This announcement appears as a matter of record only.

BANK MEES & HOPE NV

DM 100,000,000

9 1/2% Bonds 1983 due 1984/1993

BANK MEES & HOPE NV

KREDITBANK INTERNATIONAL GROUP

KUWAIT INVESTMENT COMPANY (S.A.K.)

SWISS BANK CORPORATION INTERNATIONAL

All of these securities have been sold, this announcement appears as a matter of record only.

New Issue August, 1983

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Washington, D.C.

U.S. \$ 100,000,000

11 1/2% U.S. Dollar Notes of 1983, due 1988

U.S. \$ 150,000,000

11 1/2% U.S. Dollar Notes of 1983, due 1990

All of these securities have been sold, this announcement appears as a matter of record only.

August 1983

Yamaichi Securities Company, Limited

U.S. \$50,000,000

5% Convertible Bonds due 1988

All of these securities have been sold, this announcement appears as a matter of record only.

August 1, 1983

GENERAL DEFENSE CORPORATION

800,000 Shares

Common Stock

All of these securities have been sold, this announcement appears as a matter of record only.

August 12, 1983

AVON

AVON INTERNATIONAL FINANCE N.V.

DM 100,000,000

7% Bearer Bonds of 1983 due 1988-1993

guaranteed by

AVON PRODUCTS, INC.

All of these securities have been sold, this announcement appears as a matter of record only.

August 12, 1983

AVON

AVON INTERNATIONAL FINANCE N.V.

DM 100,000,000

7% Bearer Bonds of 1983 due 1988-1993

guaranteed by

AVON PRODUCTS, INC.

All of these securities have been sold, this announcement appears as a matter of record only.

August 12, 1983

AVON

AVON INTERNATIONAL FINANCE N.V.

DM 100,000,000

7% Bearer Bonds of 1983 due 1988-1993

guaranteed by

AVON PRODUCTS, INC.

All of these securities have been sold, this announcement appears as a matter of record only.

August 12, 1983

AVON

AVON INTERNATIONAL FINANCE N.V.

DM 100,000,000

7% Bearer Bonds of 1983 due 1988-1993

guaranteed by

AVON PRODUCTS, INC.

All of these securities have been sold, this announcement appears as a matter of record only.

August 12, 1983

AVON

AVON INTERNATIONAL FINANCE N.V.

DM 100,000,000

7% Bearer Bonds of 1983 due 1988-1993

guaranteed by

AVON PRODUCTS, INC.

9 1/2
USD

هكذا من النكاح

ECONOMIC SCENE

By LEONARD SILK

Keatsian Economics and the Role Of the 1984 Presidential Election

NEW YORK — The most important factor affecting the state of the U.S. economy now and for the next few years is probably the 1984 presidential election. Conversely, the most important factor affecting the election is the economy. Modifying John Keats's famous equation of beauty and truth, one might even say: Politics is economics, economics politics, that is all we know on earth, and all we need to know.

That may be a vast oversimplification, as some critics said of Keats's formula, but it is no mere truism. Those presidents, such as Herbert Hoover, Gerald R. Ford and Jimmy Carter, who allowed the economy to languish during an election year never returned to tell the tale. Those who insured economic advance and falling unemployment in election years, such as Franklin D. Roosevelt and Richard M. Nixon, triumphed.

Obviously, if Ronald Reagan chooses to run in 1984, he will want the economy moving briskly upward. Much of his recent tolerance of the huge budget deficit and his unwillingness to countenance significant tax increases to narrow the gap appear to stem from his desire to keep the economy climbing through the campaign.

But fixing the economic course is not as simple for the White House as it was in the days before Paul A. Volcker became chairman of the Federal Reserve Board and the financial markets became so highly sensitized to changes in the growth of the money supply. One must beware of perverse reactions in the markets that would drive up interest rates and cause the recovery to stall.

The Fed has made clear that it means to take a fairly restrictive line for the rest of this year. Political cynics think the pain today only precedes pleasure tomorrow.

But the Fed lives in a glaring white spotlight in these sophisticated times, and it seems unlikely that it could get away with a politically motivated course, even if it wanted to. Having been reasonably tough in the election year of 1980, when Mr. Carter was running, Mr. Volcker is likely to feel obliged to do the same for Mr. Reagan or any other Republican candidate.

The financial and economic outlook is likely to be affected by whether Mr. Reagan does run. Business and the financial community doubtless look at Mr. Reagan as good news: The boom in the equity market in the past year is one piece of evidence for that.

And whether supply-side economics has failed to produce an upsurge in savings and investment or not — and the answer appears to be that it has not — the president's constituency among those who hate taxes even more than they hate big budget deficits is likely to be downcast if he does not run, since he is believed to be the only Republican who can win.

Waiting in the Wings

Nevertheless, other Republican hopefuls, especially Senate Majority Leader Howard H. Baker Jr. of Tennessee, Senator Robert J. Dole, of Kansas, and Vice President George Bush, are waiting nervously in the wings, ready to rush on stage if Mr. Reagan decides to enjoy the pleasures of retirement. The Republican right-wingers would like someone more in their own image — indeed someone well to the right these days of Mr. Reagan — but they are unlikely to jump ship if they are disappointed.

On the Democratic side, a flock of candidates, led by former Vice President Walter F. Mondale and Senator John Glenn, of Ohio, have been wheeling around the country looking for friends, deals and issues on which they can win. The Democrats are more ideologically strung out than the Republicans. A contest is still to be fought out in the primaries over whether their party will stick with its traditional allies among labor, the blacks and other minorities — the "forgotten men" of the Roosevelt era — or, in a society that has grown more affluent, whether to shift to the middle on the major economic issues.

Those issues are still to be clearly defined. At this juncture, these appear to be paramount:

• Should the nation focus on fighting inflation or reducing unemployment? Or is there a better way of doing both than supply-side economics combined with monetarism has proved to be? How can more jobs be created for the hard-to-employ?

• How can the competitiveness of the United States in world markets be enhanced? Does this require a new "industrial policy" and if so, what kind of policy would that be? Should more be done to help failing industries or regions? Or does the system really need not more government interference or protection but less?

• How can the huge deficits that lie ahead be reduced? Should stress be given to trimming military and/or social expenditures, or to repaying and increasing the yield of the tax system?

• Are the budget deficits the prime cause of persistently high interest rates? If so, how can real interest rates be brought down to help productivity-raising capital investment in plant and equipment, research and development, housing and expenditures on autos and other big-ticket items, while reducing the overvaluation of the dollar, helping revive world trade and easing the problems of the debtor nations?

The major issues can be carved up and formulated differently. But the country will be eager for better answers than it has had thus far.

New York Times Service

CURRENCY RATES

Interbank exchange rates for Sept. 16, excluding bank service charges

	U.S.	U.K.	FR.	GER.	SP.	IT.	JP.	HK.	TH.	IN.	SG.	MY.	PH.	FI.	SE.	NOR.	DK.	SW.	YEN.
American Express	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of America	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Montreal	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of New York	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Paris	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Rome	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Tokyo	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Vienna	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Zurich	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of London	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Hamburg	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Frankfurt	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Cologne	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Stuttgart	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Munich	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Basel	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Bern	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Lucerne	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Schaffhausen	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Thurgau	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Appenzel	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Valais	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Fribourg	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Neuchâtel	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Vaud	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Geneva	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Lausanne	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Yverdon	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Montreux	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Vevey	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Nyon	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Ecublens	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Renens	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of St. Sulpice	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Châtenet	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Orsier	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Grandvaux	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Yverdon	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Yverdon	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Yverdon	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Yverdon	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Yverdon	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Yverdon	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Yverdon	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Yverdon	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Yverdon	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Yverdon	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Yverdon	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Yverdon	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Yverdon	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Yverdon	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Yverdon	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Yverdon	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Yverdon	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Yverdon	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Yverdon	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Yverdon	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Yverdon	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Yverdon	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Yverdon	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52	24.52
Bank of Yverdon	2.29	4.42	11.72	36.99	16.80	24.54	127.08	21.35	24.52	24.52	24.5								

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Sugar, Cocoa Prices Volatile While Coffee Remains Stable

By James J. Bowe
NEW YORK — The coffee, sugar and cocoa markets have been affected by a number of different supply and demand forces during 1983. While coffee prices were relatively stable due to International Coffee Organization efforts, sugar and cocoa prices moved substantially during the year. And the outlook for the future is far from stable as new factors that may impact upon prices continuously arise and the relationship between the world production and stocks of these three important commodities continues to change.

In the beginning of 1983, prospects for an active sugar market were dim as there was considerable sugar stockpiled in excess of world demand; prospects for another

year of excess production were considered bright by the majority of the trade. As a result, spot prices traded in what is considered by many in the trade to be a fairly narrow range between 6 and 7 cents — although the range from high to low represented more than a 16-percent change in value of the contract — for the first quarter of 1983.

In early April, we saw projections of a possible balance in global production and consumption for the 1983-1984 sugar crop year. Later in the month, specific reports of weather difficulties in Cuba, Europe and South Africa caused prices to go higher. By late May, the spot price for the No. 11 Contract exceeded 13 cents a pound, nearly double the price at the end of March.

On five days during May, sugar futures prices traded to the 0.50-cent limit and, according to exchange rules, the daily permissible price fluctuation limit was expanded to 1 cent. We continued to see wide swings in price as the market tried to anticipate the effect of global weather on the 1983 crop.

Since May, we have seen prices decline somewhat — back to the 10- to 11-cent range, but the market has continued to experience significant volatility. Clear indications of the market's movement are the wide range between high and low weekly prices over the last few months, and the change in open interest and volume for the Sugar No. 11 futures contract traded on the Coffee, Sugar & Cocoa Exchange in New York.

Open interest was at 52,463 on Sept. 1, 1982. By the beginning of 1983, open interest had increased to more than 64,000 and currently stands at 94,245. This large increase in the number of open futures contracts shows that a widespread interest in the course of the price of sugar has come about. Volume in the futures market also has been considerable as the first eight months' volume for sugar futures equaled 2,311,024, against 1,430,806 contracts traded for the like period in 1982.

Cocoa market price activity also has been dramatic for the first eight months of 1983, as we have seen the price range from less than \$1,600 per ton in January to more than \$2,400 in August. Cocoa is another market beset by supply-side influences. The world's largest producing country, the Ivory Coast, experienced significant weather problems early in 1983, with

drought and brush fires in the cocoa-producing regions.

Ghana cocoa production is expected to reach a post-World War II low as many farmers, claiming an unsympathetic attitude on the part of their country's marketing board, have abandoned cocoa production. With world cocoa consumption expected to be 1.6 million tons in 1983, the potential loss of 10 percent of production would mean a serious lessening of world stocks.

The 1982-1983 crop year will show the first deficit in cocoa production since 1976-1977, when prices peaked in excess of \$5,000 per ton. In a year where the majority of agricultural commodity prices have been fairly stable, the movement in the cocoa market has attracted a significant degree of interest. Open interest in the cocoa futures market shows how speculative capital is attracted to meet the needs of hedgers who wish to avoid risk. It truly shows the effectiveness of a futures market in enabling commercial firms seeking to avoid potential problems, which could be caused by highly volatile price movements, to find investors willing to profit from their perception on the direction of prices.

The coffee market has been the least volatile of the three soft commodities as the effectiveness of the International Coffee Agreement has been proven. The market has traded in a range between \$1.20 and \$1.40 for the first eight months of 1983, consistent with the objectives of the agreement. Volume in exchange activity in New York also has reflected the price variability as trading has been fairly quiet and open interest stands at 9,351 contracts.

While some traders have expressed the hope that there will be a new International Sugar Agreement to set more clearly the trends for world prices, no one can say for sure whether such an accord can be reached and sustained. While estimates appear to indicate a situation close to balanced supply and demand this year for sugar, reports also indicate that European beet plantings may be lower, which could cause a shortfall in 1984. If prices were to increase in the near term, we could see the elimination of the U.S. quota program, which would enable sugar to move more freely throughout the world.

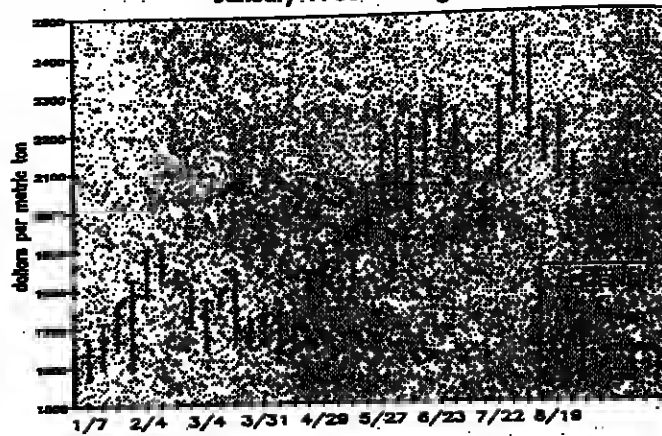
The cocoa situation remains in doubt as no one has really been able to exactly define the long-term implications of this year's weather on future harvests.

For coffee, it is quite possible that the strength of the International Coffee Agreement will be tested in the near term as stocks continue to build throughout the world and producing nations may find it necessary to sell coffee to obtain foreign exchange.

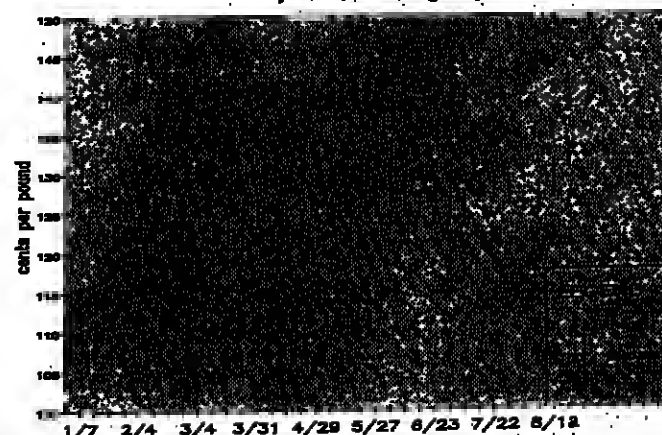
All in all, 1983 has been an interesting year as the forces of supply and demand have made their way into the futures markets. And these markets have shown that hedging needs and investor interest can meet to minimize the ultimate effects of price variability on commercial profitability.

The writer is the senior vice president for market development and planning of the Coffee, Sugar & Cocoa Exchange Inc.

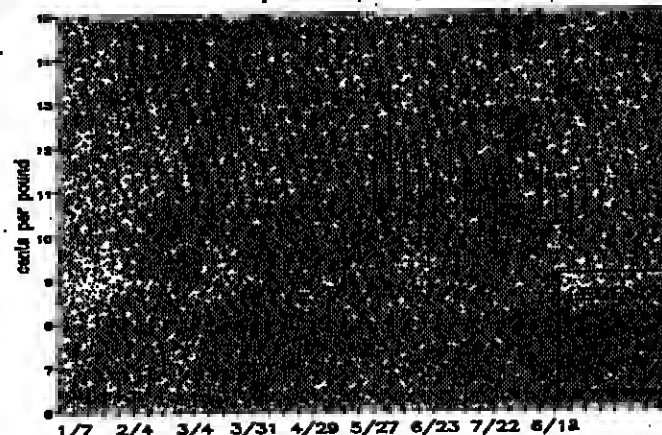
SPOT COCOA WEEKLY PRICES
January 1983 — August 1983



SPOT COFFEE "C" WEEKLY PRICES
January 1983 — August 1983



SPOT SUGAR NO. 11 WEEKLY PRICES
January 1983 — August 1983



U.S. Bull Market Lifts Stock Index Futures

(Continued From Preceding Page)

produce extraordinary returns. For example, if the Chicago Mercantile Exchange's Standard & Poor's 500 Index stood at 160, its underlying value would be \$80,000 (500 x 160). To invest, the speculator who thinks the market will rise would have to put up margin of about \$6,000. For every one point gain in the index, he would profit \$500.

However, low margins are a double-edged sword. While they permit fast profits, often as not they produce fast losses. As a result, many brokers have discouraged small investors from participating in these markets.

In an attempt to compete, securities exchanges introduced options on stock indexes last March. Volume in these instruments already

exceeds one million contracts per month.

In contrast to futures, the risk of loss in options is limited to the premium, or price of the option. Options can be purchased for as little as a few hundred dollars. Both these factors cause analysts to believe that stock index options, not futures, are a better investment choice for the small investor.

For large investors, however, particularly institutional holders of large stock portfolios, stock index futures represent an invaluable tool for hedging the risks associated with holding stocks. Institutional investors are attracted to the greater liquidity, as well as the lower transaction costs, found in these secondary markets. In a falling market, it can be difficult and costly to sell a \$250-million portfolio of stocks. However, a short position of equal size in stock index futures can be established in a matter of minutes, limiting the risks associated with selling in a market where buyers are scarce.

The reverse also can be true. In a rapidly rising market, portfolio managers can go long on futures, giving them the time to carefully select the stocks they wish to add to their portfolios. Widespread adoption of either strategy suggests that the stock index futures could help to reduce the securities' market's recent volatility.

Before that occurs, however, the use of stock index futures by institutional portfolio managers will have to become widespread. At present, these institutions account for only about 10 to 15 percent of total activity in these markets, according to the Commodity Futures Trading Commission.

Standing in the way of increased involvement are numerous legal and regulatory barriers. Some of these are beginning to fall. For example, New York recently became the first state to allow the use of index futures by the insurance companies that it regulates. And the U.S. Department of Labor, for the time being, allows the use of such instruments by pension funds.

(Continued on Page 105)

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COMMODITIES

1983 Is Another Boom Year in Farm Futures; Volume Soars

By Jerome Idaszak

CHICAGO — Just about everyone connected to U.S. farms began 1983 worried about the huge grain surpluses that had filled bins and elevators for two years. The U.S. government devised a program called PIK, for payment in kind, to pay farmers with crops in exchange for letting acreage lie fallow. Even as planting began, no one knew that the summer would bring so severe a drought as to invite comparisons to the Dust Bowl era of the 1930s.

Prices have soared. Soybeans, below \$5 a bushel in late 1982, went through the \$8 mark, then past \$9 on the way to \$10 as the hot, dry weather lingered. Corn prices crept toward \$4 a bushel, up more than 50 percent in one year.

In the futures business, the spotlight shifted, too. Last year, 1982, was called the year of the stock index contract as exchanges in Kansas City, then Chicago and New York introduced the newest item: buying and selling contracts based on the rise and fall of decimal points of an index, with payment in cash.

But, 1983 was again a year for farm futures. Trading in futures on corn, soybeans, soybean oil and meal in July alone pushed volume at the Chicago Board of Trade up almost 48 percent above the same month the year before. And the boom quickly translated into a rise in membership prices at the Chicago board to a record of \$335,000 in August, topping the previous mark set in October 1980, when grain prices jumped after a drought.

"This won't slow the trend toward financial futures," said Thomas Cunningham, chairman of the Chicago Board of Trade, whose biggest contract is based on U.S. long-term Treasury bonds. "But unquestionably, [agricultural] volume will be strong

again in 1984. This [the heavy trading] should continue at least into July next year, when people can get a handle on the new [corn and soybean] crop."

Yet, while the drought remained a constant topic across the midwestern United States during the summer, the reduced corn and soybean crops were not creating a shortage. Even with 40 percent of farmland idle due to the PIK program and with the drought, the expected corn harvest of about 4.39 billion bushels would be added to a 3.5 billion bushel carryover from previous years. Farm economists said the total would create a "normal" situation going into the 1984 season.

Some economists and traders even think 1984 might bring a return of recent years. Dennis Steadman, an agricultural economist with the suburban Philadelphia firm of Chase Econometrics, said farmers might see the high prices this year and the falling surpluses and go "all out" with their planting in 1984. Good weather, Mr. Steadman said, could then put the U.S. crop numbers about where they were before the 1983 drought.

Economists and traders alike agreed that the strong U.S. dollar was a factor causing some European and other foreign users to seek substitutes or to cut back usage. Indeed, when asked what conditions might cause soybean futures to break their record of \$32.90 a bushel set at the Chicago Board of Trade on June 5, 1973, Mark Gold, a trader in Chicago, said it would require: not weather the first half of August, a frost before Sept. 10 and a cheaper dollar during 1983.

While corn and soybean prices soared, wheat prices remained low due to the continuing surplus in that commodity. Meat prices also remained low and were headed lower for a while. The high price of corn, while a "tremendous shot in the arm in terms of cash flow

for the grain center, is going to be a tremendous hardship for livestock producers," Mr. Steadman said. The grains, used to feed animals, caused higher expenses for producers of cattle, hogs and poultry.

The slump in meat prices spilled into the futures arena. The Chicago Mercantile Exchange in midsummer saw volume from 1 to 7 percent lower in futures on cattle and hogs.

The speculators have moved into grains. It's a bull market there, which attracts your inexperienced speculator," said John F. Sandner, a former chairman of the Chicago Mercantile Exchange and a trader in cattle futures.

But the downturn in meat, economists said, would bring about a short supply probably in the spring of 1984, as producers unwilling or unable to pay high prices for feed in 1983, send their animals to slaughter and have smaller herds next year.

"Cattle, along with foreign currencies, are the two big bull markets in futures that I see coming soon," Mr. Sandner said.

While economists and traders offered some guesses about food prices and futures in the coming year, there was one area that required little guesswork: options on agricultural futures will be launched, probably by the fall of 1984.

The Commodity Futures Trading Commission, the U.S. agency that regulates trading on futures exchanges, has been discussing details of an options plan for agriculture. It would follow a pilot program that has been going for a year under which each exchange can trade one option based on a financial future.

"Options provide a limited risk," said Kalo Hine, a commission member. "You buy 'put' option [which carries the right to sell], and you can walk away if the price soars. And you have a floor if prices fall.

There is a predictability about the cost [in options] that should appeal to a lot of producers and their lenders."

"Options have terrific speculative potential, and opportunity for commercial users of soy products," said Mr. Cunningham. "The guy with an inventory that lies dormant in his elevator is making no money. Allowing someone to buy an option on his inventory, he is able to make money."

However, some economists and traders are cautious about the potential of options. Walter Vernon, chief executive of the Kansas City Board of Trade said: "Some farmers think options are a good thing, but the big grain firms aren't so sure."

He added that futures brokers have been slow to learn about options, which trade differently than futures and which have different tax treatment.

"I think futures are simpler to understand," Mr. Vernon said. "But, at Kansas City, we have an open mind. We're developing a wheat options contract."

The Chicago Mercantile Exchange expects the Commodity Futures Trading Commission to allow two options, and the Chicago exchange is thinking about options on cattle and hog futures.

"I don't see it resulting in any gigantic volume in the short-run," said Clayton Yeutter, president of the Chicago Mercantile Exchange. "It's a long-term investment on the part of the exchanges and the brokerage community."

"It's something comparable to financial instruments where it took five or six years to get to significant numbers," Mr. Yeutter added. "But I see it as a major volume producer five years from now, or 10 years from now with some options doing as much volume as futures, or more."

CONTRIBUTORS

LAURIE COHEN writes on financial markets for the Chicago Tribune.

PATRICK DONOVAN, who has just joined the London Daily Express, is a financial journalist who in recent years has specialized in the oil markets and in insurance.

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JEROME IDASZAK is a financial columnist for the Chicago Sun-Times who specializes in options and futures trading.

RANDELL E. MOORE, a former financial journalist, is director of public relations at Evans Economics, a forecasting firm in Washington. He has been a reporter for the Commodity News Service, and an assistant to the chairman of the Commodity Futures Trading Commission.

SHARON W. WALSH, a Washington-based journalist, was most recently assistant business editor at the Philadelphia Inquirer. She has worked as a news editor for the Commodity News Service.

The focus is on delivery month problems and price convergence. These activities are foreign to the SEC."

Mr. Gaine said that the Securities and Exchange Commission is concerned with "what kind of retail customer will trade." The focus is on "full disclosure" of the investment and on customer protection.

"To talk about the one common element—retail customers—loses sight of all the essential differences," he added.

Mr. Gaine also said that he thinks the Commodity Futures Trading Commission allows innovation in new products, which he considers a positive aspect. "Who knows what the next innovations will be. But they will be there in the futures markets—whether it involves insurance, freight rates, consumer price indexes, automobile sales," he said.

Still, even some in the futures industry say that the pressure for a merger is likely to return for a couple of reasons: As more brokerage firms engage in both futures and securities trading, brokers and traders will want one agency to reduce paperwork and conflicting regulations; and as banks and insurance companies do more trading, bankers and insurance agents might be more comfortable with the old-time SEC as the regulatory agency.

A task force led by Vice President George Bush is studying whether to consolidate regulatory agencies. But Mr. Wilmoth thinks that the group "will slay away from the topic of a merger."

Those people who favor a merger can make a case that "many of the products [futures and options] are functionally equivalent," said Thomas A. Russo, a partner with the New York law firm of Cadwalader, Wickersham & Taft. Mr. Russo has worked for both sides, with clients including the Philadelphia Stock Exchange and the Commodity Exchange of New York, as well as futures traders and securities firms.

"But," he added, "politically, it would be very difficult to have a merger. And there are numerous products that are dissimilar."

Other people involved, like Philip M. Johnson, former chairman of the CFTC, disagreed with Mr. Russo that, even in theory, a case can

be made for one agency. Mr. Johnson worked out the jurisdictional agreement with his SEC counterpart, John S.R. Shad.

One agency might make regulation worse because "bits and pieces from the various existing regulatory programs might be forged together into a new, crazy quilt pattern, creating confusion and disrupting established business patterns," Mr. Johnson said.

Mr. Johnson's successor at the CFTC, Susan Phillips, said that a merger "might be workable, depending on how it's structured." But she added that a merger would not provide any savings for the brokerage industry or the federal budget. And, she said both agencies have been cooperating and could work together in new areas, thus dampening talk of a merger.

Perhaps the biggest force, however, that is at work to prevent a merger simply is the growth of futures trading. Just under four million contracts were traded in 1980. That exploded to about 112 million in 1982. And 1983 is running about 30 percent ahead of last year. Regulating that growth is a major task.

But one futures industry leader, who asked not to be identified, said he thinks a combination will take place, around the end of this decade. Its form, he said, will be "more like a legitimate merger than a swallowing of the CFTC. And it probably won't even be as controversial as it is now."

—JEROME IDASZAK

Stock Futures

(Continued from Page 85)

managers. Exchange officials concede that progress is being made in this area, but at a pace that they find frustrating.

Ironically, some market analysts suggest that a major market correction could be just the catalyst needed to increase institutional involvement. Futures always have been viewed by economists as a much more useful risk-shifting tool in falling markets than in rising ones. Should the recent explosion in securities prices stall and begin to falter, portfolio managers might rush to stock index futures to limit the losses they would suffer from holding multimillion-dollar portfolios of stocks, analysts said.

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Merger Discussed as Regulatory Agencies Overlap

CHICAGO — As the traditional differences between commodities and securities markets become blurred, the areas overseen by the Commodity Futures Trading Commission and the Securities and Exchange Commission, the respective regulatory agencies in the United States, will overlap more and more. One result: ongoing discussion

about a possible merger between the two agencies.

The introduction of futures trading in Treasury bills and bonds, other financial instruments, foreign exchange and, more recently, stock index futures and options, already has all but eliminated the distinctions between the markets. And as other futures and equities markets link up, like the recent announced plan by the Chicago Board of Trade and the American Stock Exchange to give access to each other's stock index futures and options

markets, the existing regulatory lines will be further erased.

A merger of the two agencies would have a sweeping impact, and not just on the staffs. It would affect who could trade, how much money would be required for a person to trade, and whether and how brokers are tested and registered.

Susan Phillips, the chairman-designate of the Commodity Futures Trading Commission, told an audience of futures officials in late summer that some members of the Securities and Exchange Commission "have put out tender offers" to acquire the commission.

"It's dominant, but it's not dead," noted Clayton Yeutter, president of the Chicago Mercantile Exchange, referring to the possibility of a merger.

The Securities and Exchange Commission, formed in the 1930s, has achieved a solid place in the regulatory landscape of the U.S. government. The Commodity Futures Trading Commission, in contrast, was created less than 10 years ago as a more powerful successor to the Commodity Exchange Authority, a small-staffed unit that worked out of the basement of the U.S. Agriculture Department.

In its early years, the CFTC was criticized for sloppy enforcement — for being publicly hungry in some cases and for largely ignoring a growing industry.

It was during this time that futures exchanges began their expansion beyond grains and livestock into financial products: foreign currencies, U.S. Treasury bills and bonds. And, as a result, the ex-

changes and their regulatory agencies began the continuing fight over financial territory.

It reached a point of near explosion when the Chicago Board Options Exchange won approval from the Securities and Exchange Commission to trade options on an interest rate contract tied to the housing industry. But the Chicago Board of Trade already was trading futures based on the same thing. The CBOE filed a lawsuit against the SEC.

The dispute sparked speculation that the U.S. Congress would merge the CFTC into the older, more respected SEC. It might have happened, but for two things: a strong effort by futures industry leaders and the election of a deregulation-minded president, Ronald Reagan.

The Reagan forces were not the kind who wanted a new "super-agency." In addition, President Reagan appointed new chairmen at both the CFTC and the SEC. A half-dozen meetings in 1981 between the commissions' heads led to a major agreement dividing up jurisdiction on new financial products.

That agreement cut short the talk about a merger. Then, in 1982, Congress held hearings on the CFTC and extended its existence for four more years.

"I don't see it as a major issue for the near term," said Robert K. Wilmoth, president of the National Futures Association, a newly created industry self-regulatory organization.

Mr. Wilmoth, who is a former president of the Chicago Board of Trade, said that "Congress sent a pretty clear message" during the 1982 hearings on the CFTC that the futures industry was involved in risk insurance on commodities, while the securities business dealt with capital formation. "The functions are different," he Wilmoth said.

"I think right now I feel more sanguine about an independent CFTC because people realize more and more the differences in the regulatory systems," said John V. Gaine, former general counsel with the CFTC and a partner in the Washington law firm of Alston & Bird.

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EUROBONDS

By CARL GEWIRTZ

European Investors Want Action, Not Debate, on Easing Fed Policy

PARIS — Three straight dollar Eurobonds hit the market early last week amid the glow engendered by the previous week's large decline in the U.S. money supply.

But the glow faded quickly as market attention focused on the expected bulge in the money supply for the latest week. And, indeed, the Federal Reserve reported a rise of \$5.5 billion late Friday.

That figure was in line with expectations and left the M-1 measure still within the Fed's target range. But the debate among New York analysts about whether the Fed is about to relax policy left European investors cold.

At the risk of missing the first leg of a rally in the bond market, investors in Europe appear to be wanting to see clear evidence of the Fed's easing before they jump into the market. "They're afraid of being duped," said a banker on the Continent.

And, at the same time, they are afraid that whatever they might gain in a rally in bond market prices fueled by lower interest rates they could lose through a depreciation of the dollar.

Investors worried about the exchange rate are flocking to buy bonds denominated in European currencies and gold.

Both of which offer better yields than Deutsche-mark bonds — and Swiss francs, which yield less but are perceived to carry the smallest foreign exchange risk.

What money is available for the dollar bond market appears to be going into floating rate notes. These offer the safest haven against interest-rate fluctuations because the coupons are adjusted at least every six months. More speculative investors are buying options.

The latest option offer comes from Paribas, which, apparently for the first time, is using its link with Becker, a big New York trading house, to gain advantage over its European competitors. While any bank can offer to sell options, only those with a large natural portfolio in Treasury securities have total flexibility on how they hedge that liability. And for greater flexibility read greater profits.

The Paribas offer consists of 150,000 warrants to buy U.S. Treasury 10% of 2012 at a price of \$4.75. The warrants, which are good for nine months, were offered at \$26 and ended the week quoted at \$21 to \$23.

The options offer nondollar investors the opportunity to play the U.S. bond market (expecting interest rates to fall, bond prices to rise and options on those bonds to rise also) while minimizing their exposure to exchange-rate fluctuations. With a cash layout of about \$20, investors get the right to buy a \$1,000 Treasury note at a price of \$94.75. Those notes were quoted Friday in New York at \$94.

Interest rates obviously have to fall and prices have to rise sharply before those options represent any real value. But the option line of nine months is potential value and if in the run-up to the U.S. presidential election next year rates did fall, option buyers could get the full advantage of the increased value of a \$1,000 bond for a cash outlay (foreign exchange risk) of only about \$20.

Paribas said about two-thirds of its offering had been sold by Friday.

There are four other options on the Treasury's 10% of 2012 in the Euro market:

- Dreyfus's three-month series, exercisable at 91%, were quoted Friday at \$23 to \$27, down from the offered price of \$30.
- Merrill's six-month series, exercisable at 91%, offered at \$18.75 and trading at \$23 to \$27 (the only one to have risen in value).
- Salomon's one-year series, exercisable at 95%, is quoted at \$28.50 to \$29.50 after being offered at \$32.50.
- First Boston's 18-month series, exercisable at 96%, is trading at \$28.50 to \$30.50, down from the initial offering price of \$38.

In the straight bond market, two of the new dollar issues fared poorly because they were priced aggressively in anticipation of a bond market boom that failed to materialize. The European Investment Bank, which is supposed to be striving to overcome its reputation as a cheapie, offered \$150 million of 10-year bonds at par bearing a coupon of 11% percent at a time when investors could buy at a discount the recent World Bank or European Community 10-year bonds bearing coupons of 12 percent.

The EIB bonds ended the week quoted at 97 1/2 — a level that erases the profit for underwriters — for a yield of 12.33 percent. The EC bonds, quoted at 98, yielded a slightly more favorable 12.36 percent while the World Bank paper, quoted at 99, yielded 12.18 percent.

Citicorp, only a double-A credit, offered \$100 million of seven-year notes at par bearing a coupon of 11 1/2 percent. Banks with large exposure to Third World debtors are not exactly investor favorites these days and the paper ended the week at a sharp discount of 96 1/2 for a yield of 12.5 percent. Triple-A-rated Ontario Hydro, which a week earlier sold 11 1/2 percent, seven-year notes at a discount of 99 1/2, ended the week at 98 1/2 for a yield of 12.17 percent.

Although bank paper is difficult to place these days, Sanwa's \$80 million of seven-year notes fared relatively well. Bearing a coupon of 12 1/2 percent and priced at 99 1/2 to yield 12.43 percent, the issue ended the week quoted 98 1/2 after trading as low as 97 1/2.

Two small floating rate notes were offered last week — Italy's Iseimer in \$25 million of seven-year notes retractable to five years in the

Eurobond Yields
For Week Ended Sept. 16

Int'l Inst. to term U.S.	12.48 %
Int'l long term U.S.	12.88 %
Int'l medium term U.S.	12.65 %
Can.5 medium term	13.20 %
French Fr. medium term	13.20 %
Int'l Inst. to term yen	7.83 %
ECU medium term	12.80 %
Int'l Inst. to term yen	10.62 %
Int'l Inst. to term FLX	10.62 %
FLX medium term	10.62 %

Collected by the Luxembourg Stock Exchange

Market Turnover
For Week Ended Sept. 16
(Millions of U.S. Dollars)

Credit	4,238.30	Non-dollar
Eurobond	10,932.50	979.50

French Bourse's Lively 'Second Market'

Using a Trading Boom To Help Smaller Firms

By Ellen Wallace

PARIS — The French Socialists have nationalized some of the country's largest companies, taxes are being raised and the franc is weak. Yet the stock market is booming, with trading volume about 60 percent ahead of last year's.

This capitalist effervescence has not been lost on French officials. Through a lively corner of the Bourse called the *second marché* (second market), they hope to harness the renewed interest in stocks to help fund the expansion of medium-size businesses.

The *second marché* was created Feb. 15, but its roots go back to the 1974-75 recession, when volume on the Bourse fell by almost half. Companies were leaving the market and not enough new ones taking their place. In 1977, a separate market called the *hors cote* (special) was created to encourage medium-size companies to go public.

The Bourse began to bounce back in 1978, with volume rising to 86.9 million shares from 49.1 million the previous year. Volume was higher than bond trading for the first time since 1973.

However, the effort to attract medium-size companies was not working. By 1980, when the first batch of *hors cote* special companies was supposed to be ready to move over to the official list, only four out of 22 companies were able to do so.

Then the Bourse slumped the following year when the Socialists began their nationalization program, which again reduced the market's capitalization. Until January of this year, trading of stock had risen only feebly and equity volume had fallen far behind that of bonds. During this period, there were more discussions on how to bring medium-size



The Paris Bourse, home of France's new 'second market.'

companies to the market as a way of meeting their financing needs and deepening the Bourse's liquidity. The result was the *second marché*.

"The main reason for the *second marché* is to make it easier for a company to enter the market," said Jean Peur, director of studies and market development for the Commission for Bourse Operations. French companies, especially small and medium-size firms, have traditionally relied heavily on bank financing rather than turning to a capital market that by British and U.S. standards has been small and ineffectual. Only the largest, best-known companies have listed shares on the Bourse.

To be listed on the *second marché*, the company submits an application to the stock brokers' association. To ease entry, the re-

U.S. Price Rise For Sheet Steel Helping Slightly

By Steven Greenhouse

NEW YORK — The 7-percent increase in list prices for sheet steel that most major steel producers put into effect Sept. 1 has helped boost depressed prices, but industry analysts agree, by far less than the \$35 to \$40-a-ton increase that was announced.

"Sheet prices have gone up, but not to the full extent announced," said Charles A. Bradford, a steel analyst at Merrill Lynch, Pierce, Fenner and Smith.

Although steel companies have not been able to command the full announced increase, it is nonetheless good news for the industry that prices for sheet, which is used in automobiles and appliances, are at last inching upward. When producers raised the book price of sheet — also known as flat-rolled steel — in February, demand was so slack that producers ended up swallowing the price increases as they were forced to make steeper discounts to customers in order to sell their products.

There's been a noticeable lessening in the size of discounts, and the discounts have been off of a higher base," said Michael Simpson, chairman of A.M. Castle & Co., a large Chicago-based steel service center. "The sheet market is

firming up, albeit very gradually." Analysts say the slight increase in demand for sheet — 15 percent higher in the first half of 1983 than in the 1982 half — helps explain why U.S. Steel Corp. and Bethlehem Steel Corp., the first- and second-largest companies, respectively, and four other major producers announced the increases. National Steel Corp., which produces about 15 percent of the sheet made in the United States, refused to go along with the increases, and many speculated that National's inaction would force other majors to roll back the increases.

"National was already operating near capacity in sheet, so it made little difference to the others that it did not go along with them," said Mr. Bradford at Merrill Lynch.

With a volatile spot market, sealed bidding for some transactions and different prices often charged different customers depending on the size of the order, steel pricing is a murky area. Thus, there is no one figure on which steel executives and analysts agree regarding the price of sheet steel.

"We've found that there's been a 20-buck-a-ton increase for hot-rolled and cold-rolled sheet and a 25-buck increase for galvanized sheet," said Peter F. Marcus, an analyst at Paine, Webber, Mitchell, Hutchins Inc.

The increases instituted Sept. 1 raised the book price of hot-rolled sheet by \$34 a ton, to \$475 a ton, of cold-rolled sheet by \$40, to \$563, and of galvanized sheet by \$46, to \$606.

Analysts say that, in boosting sheet's book price, the industry, which lost an estimated \$1.3 billion in the first half of 1983, is trying to make some money on the one product line that is strong. Others say that the major companies, hurt by imports — which now account for 20 percent of the market — are seeking to signal the foreigners that it is now time for them to raise their prices, too.

Futures Contract for Tax-Exempt Bonds Is Studied

By Michael Quint

NEW YORK — When bond dealers are faced with large sized offerings, their natural inclination is to reduce prices and raise yields in order to attract more buyers for the new issues.

But when the offerings are extremely large, such as the \$14.25 billion of Treasury notes and bonds to be auctioned this week, even reducing prices and raising yields is not enough to assure dealers that they can quickly sell to investors all of the securities they buy from the Treasury.

To protect themselves against the risk that prices might fall while they are holding the newly auctioned Treasury issues, dealers routinely hedge their positions by selling futures contracts or Treasury issues other than the new issues being auctioned. Thus, if prices fall, the dealers would lose money on the issues bought at this week's auction, but would make money on their short sales of futures contracts and other Treasury issues.

This ability to hedge has become crucial to the financial health of dealers as the size and frequency of Treasury auctions has grown along with federal budget deficits. Without futures contracts and short selling of outstanding Treasury issues, the interest rate on new Treasury issues would probably be higher, since the only way dealers could guard against losses would be by setting still lower prices and higher yields when they submit bids at the Treasury auctions.

But not all sectors of the bond market are as flexible as the Treasury market in allowing dealers to

exempt bond contract since it already has active futures markets for Treasury bonds and Government National Mortgage Association pass-through securities.

Rudy Rutz, group manager for financial instruments and senior economist at the Chicago Board of Trade said "we are researching the feasibility of a futures contract based on some sort of index."

Like his colleagues at other exchanges who are also studying a tax-exempt futures contract or options on the futures contract, Mr. Rutz declined to say how far along the research was.

Although no exchange has spec-

fied an index whose changes would be tied to a futures contract, several analysts cited a new index designed by the J.J. Kenney Company.

The Kenney Index is an average of the yield for 500 different issues with maturities of 25 to 35 years, and a rating of A or better by Moody's or Standard & Poor's. Every quarter the index is revised to add the 100 largest long-term issues marketed in the previous three months.

On Friday, it was reported that the U.S. money-supply measure known as M-1 rose \$5.5 billion in the week ended Sept. 7, compared with \$513 billion the previous

U.S. Consumer Rates
For Week Ended Sept. 16

Passbook Savings	5.50 %
6-Month Savings Certificates	9.50 %
12-Month Savings Certificates	9.50 %
18-Month Savings Certificates	9.50 %
24-Month Savings Certificates	9.50 %
36-Month Savings Certificates	9.50 %
48-Month Savings Certificates	9.50 %
60-Month Savings Certificates	9.50 %
72-Month Savings Certificates	9.50 %
84-Month Savings Certificates	9.50 %
96-Month Savings Certificates	9.50 %
108-Month Savings Certificates	9.50 %
120-Month Savings Certificates	9.50 %
132-Month Savings Certificates	9.50 %
144-Month Savings Certificates	9.50 %
156-Month Savings Certificates	9.50 %
168-Month Savings Certificates	9.50 %
180-Month Savings Certificates	9.50 %
192-Month Savings Certificates	9.50 %
204-Month Savings Certificates	9.50 %
216-Month Savings Certificates	9.50 %
228-Month Savings Certificates	9.50 %
240-Month Savings Certificates	9.50 %
252-Month Savings Certificates	9.50 %
264-Month Savings Certificates	9.50 %
276-Month Savings Certificates	9.50 %
288-Month Savings Certificates	9.50 %
300-Month Savings Certificates	9.50 %

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Banks Lie Low, Waiting Progress on Debt Crisis

By Carl Gewirtz

PARIS — The banking equivalent of the nuclear disarmament talks will take place in Washington next week when the International Monetary Fund and the World Bank hold their annual meeting, an event bankers are only too glad to use to explain September's slack pace of international loan syndications.

The lending slowdown, of course, dates from last year's collapse in bankers' confidence in the ability of developing countries to finance their existing level of debt.

Last year at this time bankers were galvanized into action by the very quick response of Western central banks to provide substantial short-term loans to the debtors

to prevent a financial panic. Today, bankers and their developing country clients and the industrial powers, each complaining about the demands put upon them, are mired in the arduous process of re-establishing financial order.

"It's a balance of terror," a senior international civil servant said. The danger to the banks and their parent governments, if the debtors are pushed to the wall, is as serious as that faced by the Third World debtors if adequate financing is not found. No player can afford to turn its back to the plight of the other.

But each looks to the other for solutions. The banks say their gov-

CURRENCY RATES

Interbank exchange rates for Sept. 16, excluding bank service charges

	\$	£	DM	FF	Y	Scd	Sfr	Swk	DKr
Amsterdam	2.37	0.68	11.82	24.95	0.187	0.000	0.000	0.000	0.000
Brussels	2.37	0.68	11.82	24.95	0.187	0.000	0.000	0.000	0.000
Frankfurt	2.37	0.68	11.82	24.95	0.187	0.000	0.000	0.000	0.000
London	1.00	0.63	1.63	4.76	0.005	0.000	0.000	0.000	0.000
Madrid	1.66	0.16	16.66	36.36	0.006	0.000	0.000	0.000	0.000
Paris	6.55	0.15	15.00	34.00	0.006	0.000	0.000	0.000	0.000
Rome	1.36	0.13	13.60	30.00	0.006	0.000	0.000	0.000	0.000
Stockholm	4.66	0.13	13.60	30.00	0.006	0.000	0.000	0.000	0.000
Zurich	2.37	0.68	11.82	24.95	0.187	0.000	0.000	0.000	0.000
1 ECU	0.79	0.57	5.75	12.40	0.001	0.000	0.000	0.000	0.000
1 SDR	1.44	0.57	5.75	12.40	0.001	0.000	0.000	0.000	0.000

Dollar Values

	\$	£	DM	FF	Y	Scd	Sfr	Swk	DKr
Amsterd.	2.37	0.68	11.82	24.95	0.187	0.000	0.000	0.000	0.000
Brussels	2.37	0.68	11.82	24.95	0.187	0.000	0.000	0.000	0.000
Frankfurt	2.37	0.68	11.82	24.95	0.187	0.000	0.000	0.000	0.000
London	1.00	0.63	1.63	4.76	0.005	0.000	0.000	0.000	0.000
Madrid	1.66	0.16	16.66	36.36	0.006	0.000	0.000	0.000	0.000
Paris	6.55	0.15	15.00	34.00	0.006	0.000	0.000	0.000	0.000
Rome	1.36	0.13	13.60	30.00	0.006	0.000	0.000	0.000	0.000
Stockholm	4.66	0.13	13.60	30.00	0.006	0.000	0.000	0.000	0.000
Zurich	2.37	0.68	11.82	24.95	0.187	0.000	0.000	0.000	0.000
1 ECU	0.79	0.57	5.75	12.40	0.001	0.000	0.000	0.000	0.000
1 SDR	1.44	0.57	5.75	12.40	0.001	0.000	0.000	0.000	0.000

International Bond Prices — Week of September 16

Provided by White Weld Securities, London, Tel.: 623 1277, a Division of Financiere Credit Suisse - First Boston

RECENT ISSUES

Am	Security	%	Price	Yield
100	11 1/2% 1985	100	101 1/4	12.3
100	11 1/2% 1985	100	101 1/4	12.3
100	11 1/2% 1985	100	101 1/4	12.3
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100	11 1/2% 1985	100	101 1/4	12.3
100	11 1/2% 1985	100	101 1/4	12.3
100	11 1/2% 1985	100	101 1/4	12.3

STRAIGHT BONDS
All Currencies Except DM

Am	Security	%	Price	Yield
100	11 1/2% 1985	100	101 1/4	12.3
100	11 1/2% 1985	100	101 1/4	12.3
100	11 1/2% 1985	100	101 1/4	12.3
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100	11 1/2% 1985	100	101 1/4	12.3

HIGHEST YIELDS
to Average Life Below 5 Years

100	11 1/2% 1985	100	101 1/4	12.3
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100	11 1/2% 1985	100	101 1/4	12.3
100	11 1/2% 1985	100	101 1/4	12.3

HIGHEST CURRENT YIELDS

100	11 1/2% 1985	100	101 1/4	12.3
100	11 1/2% 1985	100	101 1/4	12.3
100	11 1/2% 1985	100	101 1/4	12.3
100	11 1/2% 1985	100	101 1/4	12.3
100	11 1/2% 1985	100	101 1/4	12.3

DM STRAIGHT BONDS

100	11 1/2% 1985	100	101 1/4	12.3
100	11 1/2% 1985	100	101 1/4	12.3
100	11 1/2% 1985	100	101 1/4	12.3
100	11 1/2% 1985	100	101 1/4	12.3
100	11 1/2% 1985	100	101 1/4	12.3

(Continued on Page 14)

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مركز التمويل

NEW EUROBOND ISSUES

Issuer	Amount (millions)	Maturity	Coupon %	Price At Offer	Yield At Offer	Terms
Beaumont Foods O'sce	DM130	1993	7 1/4	100	7 3/4	Callable beginning in 1989.
European Invest. Bk.	DM200	1993	8 1/4	100	8 1/4	Callable beginning in 1990 at 101.5 with call price decreasing by 0.50 points in each of next two years.
NBS Bank	DLS100	1988	9	100	9	Noncallable bullet.

EC to Discuss Talks on U.S. Specialty Steel Limits

BRUSSELS — European Community foreign ministers were scheduled to meet here Monday to discuss the lack of progress in talks with Washington over lifting U.S. measures that limit specialty steel imports.

U.S. negotiators appear to have accepted the need to compensate EC exporters for some of the measures announced by President Ronald Reagan in July, diplomats said. But no progress has been made in the two sessions of talks so far. The EC has demanded an early lifting of the restrictions, which primarily affect European producers.

The ministers, at their regular monthly meeting, were expected to press European negotiators for a speedy conclusion to the talks, which are to resume Sept. 26 in Brussels. They fear that the United States will resort to procedures under the General Agreement for Tariffs and Trade, which could mean delays harmful to the EC beleaguered steel industry, the diplomats said.

The Paris Bourse's 'Second Market'

(Continued from Page 11)

of the stockbrokers' association, believes a steady addition of 20 businesses a year is not unreasonable.

One of the main groups being wooed is family businesses. Petit Bateau Valon is one example; the maker of children's clothing joined the second market at the end of June. The 90-year-old family business has grown continuously since it opened a U.S. affiliate in 1977. Revenue in 1982 was 499.1 million francs (now about \$62 million).

Investors bidding for these new issues have sent share prices on the second market soaring. Pierre Chabon, president of Dufina, a financial and industrial information service, says demand for his company's offering of shares on the second market far outstripped the supply: "We had 25,000 shares to sell, and there were 450,000 offers."

Investors have reacted by inflating their orders on the assumption that they would receive far fewer shares when the new issue was allotted. For example, a buyer might order 100 shares but expect to receive 10.

Mr. Peure said this tendency toward an artificial inflation of prices for new issues has caused some concern. Mr. Dupont said it now appears that it takes three to four months for quotes on new issues to stabilize.

It is too early to tell whether the second market will have a major effect on French companies' financing habits. Indeed, companies on the new market generally cite publicity value in addition to financing considerations as a reason for listing.

In Dufina's case, the need for a reputation in the financial world was a prime consideration. "We've had 20-percent growth year after year," Mr. Cabon said of his 25-year-old company, "and we're not looking for more rapid growth. Our problem is more one of getting known."

"Technologically, we're completely up to date in our field, but we're in a sector where there are huge American, British and Japanese companies. Being on the Bourse adds to our credibility, shows the public we've grown up—which we need in order to survive."

Publicity value also played a role in the decision of Zodiac, whose 1982 revenue was 566 million francs, to list on the second market. Since 1978, the company has been diversifying and expanding, but it is still mainly known for its parachutes and inflatable boats. Boats now account for only 40 percent of the company's business, notes Jean-Jacques Gegou. "We want the group as a whole to be known and we want people to see its financial performance."

The office would not give any details before the accord is signed, probably next month in Washington. The pact is the first to be reached with any country since President Ronald Reagan imposed quotas and tariffs on specialty steel in July.

The United States has held talks on the issue with Sweden, Canada, Spain and Brazil and is scheduled to meet with Japan this week.

European Investors Want Action on Fed Policy

(Continued from Page 11)

Asia dollar market and a small Dutch mortgage bank is offering \$20 million of five-year serial notes that mature in four equal installments starting next year.

Expected this week is a \$300 million floater from France's Crédit Foncier. The French are expected to be big users of this market as they can borrow more cheaply than in the syndicated loan market. Another reason to avoid the syndicated loan market is the still-simmering dispute over whether the French government must explicitly guarantee loans of its agencies. Banks are insisting on it and the government is resisting. Crédit National is said to be planning to follow Crédit Foncier into the FRN market.

Another French credit institute, Cefime, will tap the ECU market this week, offering 80 million of four-, eight- and 12-year paper. The recent 60-million ECU offering from Genfinances, a unit of Société Générale de Banque, was increased to 70 million. Bearing a coupon of 11 percent, that seven-year paper was offered at a premium of 100% for a yield of 10.89 percent.

Nederlandsche Middenstandsbank is offering 100 million guilders of five-year notes at par bearing a coupon of 9 percent, and issues from the other major Dutch banks are said to be planned. With the guilder seen as a steady currency against the Deutsche mark and the ECU's higher interest rates seen as adequate protection against potential French franc and Italian lira weakness, the low coupons offered on DM bonds failed to attract investor enthusiasm.

Beatrice Foods made its debut in the DM market, but, trading on the popularity of its name, it offered a low coupon of 7 1/2 percent on its 130 million DM of 10-year paper—a full half-point below the terms offered by the EIB's 200-million-DM offering.

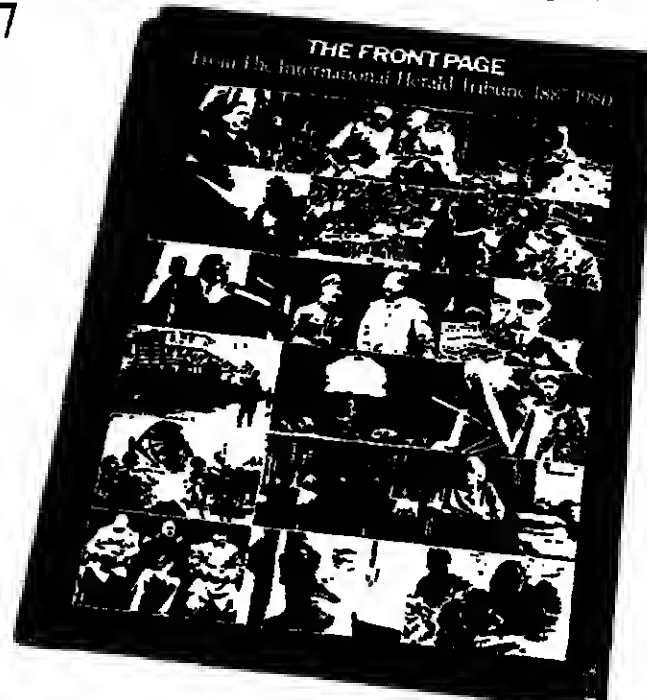
The World Bank, selling its first Canadian-dollar paper in more than a decade, offered 75 million dollars of seven-year bonds at par bearing a coupon of 12 1/4 percent. It has shunned Canadian dollars because of the high interest rates, but in this case it is using the proceeds to swap into Swiss francs. The bonds were quoted at a discount of 98 1/2.

THE FRONT PAGE

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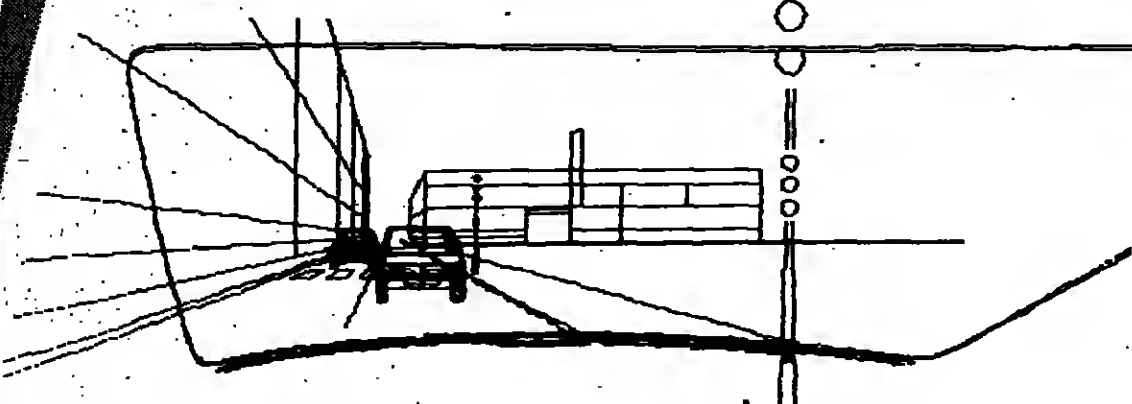
The basis for confidence

Major outlays in industrial investment, research and development:

From 1979 through 1982:

- Industrial investment (*): 19 billion French francs
- Research and development expenditures (*): 5.6 billion French francs

(*) consolidated figures



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- In the forefront of automotive technology
- Modernized new industrial plants
- Successful new model introductions: Peugeot 205, Citroën BX, Talbot Samba Cabriolet, Peugeot 305 série II, 505 Turbo Injection et GTI, Citroën CX Turbo Diesel...
- An increasing market share

Registration of private cars in France:
1982 : 30,2 %
1983 (6 months): 33,2 %

All these bonds having been placed, this announcement appears for purposes of record only.

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The main features are:

The potential for capital gains:

To each bond is attached 20 warrants. Each warrant entitles the holder to purchase one new share of Peugeot S.A. common stock, at any time from January 1, 1984 through December 31, 1987, at a fixed price of F 240 (whatever the price currently quoted on the Paris Stock Exchange). The holder is thus entitled to participate in any increase in the price of the shares over the exercise price regardless of when he exercises during the exercise period.

The security and yield of bonds

Nominal value of each bond: FF 5,000
Offering price: 100%
Offering date: October 3, 1983
Duration: eight years
Annual interest: 11.5%
Gross yield: 11.5%
Bond redeemable in full at 100% of principal amount on October 3, 1991.

Application will be made to list the bonds and the warrants separately on the Paris Stock Exchange.

PEUGEOT S.A.

A prospectus which has been registered with the COB under the number 83-200 on July 4, 1983 is available free of charge. BALO on September 12, 1983.

Provided by **White Weld Securities, London, Tel.: 623 1277; a Division of Financiere Credit Suisse - First Boston**

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ZERO-COUPON BONDS

[illegible]

Am	Security	Middle Price	Comp. Period	Comp.Pr p/Sh	Chav. Prem.	Cur. Yield Sh%
----	----------	-----------------	-----------------	-----------------	----------------	----------------------

[illegible][illegible]

\$50	South Cliff Edg 30.00	7 Aug 82		
	92 1/2 % 1997 Aug	110 1/2	maturity \$22.3/8	20 9.20
\$15	Massachusetts Atipe 50.00	30 Sep 81		

[illegible]

CNF	Confederation	SUR	Special Drawing Rights
ECU	European Currency Unit	Y	Yen
EUA	European Unit of Account	LFR	Luxembourg Franc
I	Interest	SEF	Swiss Franc

20	Rand Selection 171.58	1 Sep 71	rand 5.875	0.15	Massachusetts 50.00	01	88 Sep 83	2.24 1/4	2.24 1/4	DM	Deutsche Mark	FF	French Franc
	d 1/2 % 1984 Mar	246	31 Jan 84	\$8 2/9	4.82- 2.92	..	8 % 1994 Jul	87 1/2 maturity	0.20	5.26 16.39	NM30	Norwegian Krone	DM

Agency of the

INVITATION TO TENDER

Beginning 26 September 1983, the tender documents may be examined and collected personally by prospective tenderers or by their authorised representative in Jakarta upon cash payment of the non-refundable amount of Indonesian Rupiah 530,000 at the following address:

To qualify for award, tenderers must demonstrate that they have successfully designed, manufactured, erected and commissioned a minimum of two comprehensive coal or similar bulk material handling plants (such as ore or crushed stone) using high capacity belt conveyor system and travelling bucket wheel stacker/reclaimer machine during

Perusahaan Umum Listrik Negara has obtained a loan from the International Bank for Reconstruction and Development and will apply the proceeds of this loan to payment under this contract. Only tenderers/manufacturers residing in member countries of the International Bank for Reconstruction and Development and Switzerland and Taiwan are eligible to tender.

Jakarta, September 1983
Perusahaan Umum Listrik Negara

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General

Court Upholds Bar on Sale Of Oil Leases Off the U.S.

United Press International

BOSTON — A federal appeals court, striking a blow against U.S. Interior Secretary James Watt, Friday upheld a preliminary injunction barring sale of oil and gas exploration leases on 2.8 million acres of sea bottom off one of the most productive fishing grounds in the world.

The U.S. 1st Circuit Court of Appeals ruled a lower court judge was correct in issuing the injunction against what at the time would have been the largest offshore oil and gas lease sale in U.S. history.

The Appeals Court said the planned sale of land on Georges Bank, which according to some estimates produces 15 percent of the world's annual fish catch, was likely to violate the National Environmental Policy Act.

The injunction was issued by U.S. District Judge A. David Mazzone against Mr. Watt on March 28 at the request of state Attorney General Francis X. Bellotti.

The state and a number of environmental groups, including the Boston-based Conservation Law Foundation, filed suit after negotiations with the Interior Department over the deletion of a number of ecologically sensitive tracts broke down.

The state and other plaintiffs wanted 98 of the 529 tracts deleted but Watt agreed to cut out only 41 of them, bringing the total number of parcels to be offered to 488.

It would have been the second round of lease sales on Georges Bank. So far, no appreciable amounts of oil or gas have been uncovered despite several years of test well drilling at a cost of hundreds of millions of dollars.

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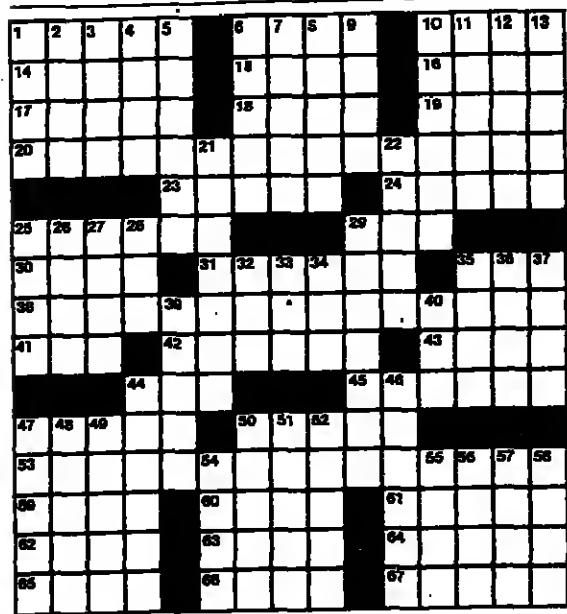
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CROSSWORD



- ACROSS**
- 1 French priests' titles
 - 2 Sleep cliff
 - 3 Gripe
 - 4 British Prime Minister in 1978
 - 5 Unit of length
 - 6 Gudrun's mate
 - 7 Related on the distaff side
 - 8 Part of A.M.
 - 9 Scorch
 - 10 Rainy-day gear
 - 11 Tugboat
 - 12 Atlas feature
 - 13 Lakehurst sight
 - 14 Justice: Abbr.
 - 15 Nautical word
 - 16 Regard highly
 - 17 "The" TV series: 1963-74
 - 18 Cold-weather inner garb
 - 19 Understanding
 - 20 Elect
 - 21 — var. (again, to Juan)
 - 22 Ostrich's extinct cousin
 - 23 Primp
 - 24 Prospero's servant
 - 25 New Orleans sight
 - 26 Cold-weather outer garb
 - 27 Opponent
 - 28 Ham's word
 - 29 Shock
 - 30 "Wozz" composer
 - 31 Macaroni, e.g.
 - 32 Hawaii before 1898: Abbr.
 - 33 Villain's at Tivoli
 - 34 Yield to Morpheus
 - 35 Once more
 - 36 — ride
 - 37 Small nuisance
 - 38 Distinctive ending
 - 39 Norky, e.g.
 - 40 Beau
 - 41 Bark vessel
 - 42 Theophrastus
 - 43 Sail part
 - 44 Francis and Nathaniel
 - 45 Group
 - 46 London gallery
 - 47 Make proud
 - 48 Cardinal's place in 1892
 - 49 Voracious fish
 - 50 Female mosquito
 - 51 Dove's opponent
 - 52 Medicinal plant
 - 53 Kind of lamp
 - 54 Bird or vine
 - 55 Couple
 - 56 Alphabetic trio
 - 57 Psyche parts
 - 58 Entertainment
 - 59 Farm feature
 - 60 Attendant on Cleopatra
 - 61 School in Savoy
 - 62 Misery
 - 63 Trade
 - 64 Some times
 - 65 Expect
 - 66 Washer cycle
 - 67 Pretix with link or lock
 - 68 Delights in
 - 69 Turn inside out
 - 70 Brink
 - 71 Sail part
 - 72 October stone
 - 73 Church
 - 74 London gallery
 - 75 Rebut

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DENNIS THE MENACE



JUMBLE

Unscramble these four jumbles, one letter to each square, to form four ordinary words.

NAYRE

OONNI

DOITUS

HYROTE

Answer: FORCE, QUEEN, EXODUS, PIGEON

Friday's Jumble: "I am the first one in the grammar class." — PERSON

WEATHER

EUROPE	MON	TUE	WED	THU	FRI	SAT	SUN
Algeria	23	23	23	23	23	23	23
Austria	23	23	23	23	23	23	23
Belgium	23	23	23	23	23	23	23
Bulgaria	23	23	23	23	23	23	23
Czechoslovakia	23	23	23	23	23	23	23
Denmark	23	23	23	23	23	23	23
France	23	23	23	23	23	23	23
Germany	23	23	23	23	23	23	23
Greece	23	23	23	23	23	23	23
Holland	23	23	23	23	23	23	23
Italy	23	23	23	23	23	23	23
Japan	23	23	23	23	23	23	23
Poland	23	23	23	23	23	23	23
Portugal	23	23	23	23	23	23	23
Romania	23	23	23	23	23	23	23
Soviet Union	23	23	23	23	23	23	23
Spain	23	23	23	23	23	23	23
Sweden	23	23	23	23	23	23	23
Switzerland	23	23	23	23	23	23	23
Turkey	23	23	23	23	23	23	23
U.S.S.R.	23	23	23	23	23	23	23
Yugoslavia	23	23	23	23	23	23	23

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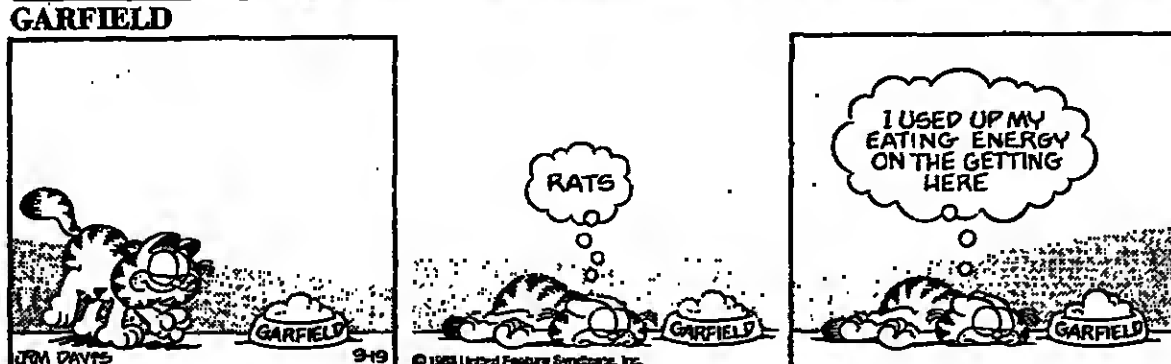
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GARFIELD



Transition

BASEBALL
BOSTON—Shane Bieber, pitcher, to a two-year contract.
TEXAS—Acquired Ricky Wright, pitcher, from Los Angeles as the player to be named later in the Rick Honeycutt trade.
ST. LOUIS—Signed John Palfreys, pitcher, to a two-year contract.
NEW YORK—Traded Vance Torrey, guard, and their 1984 first-round draft pick to Indiana in a three-way deal in which New York sent Ron Williams, guard, from Kansas City, and Kansas City received Billy Knight, guard, from Indiana.
PHOENIX—Signed Red Stucky, guard, to a three-year contract.
BASKETBALL
NATIONAL BASKETBALL ASSOCIATION
NEW YORK—Traded Vince Torrey, guard, and their 1984 first-round draft pick to Indiana in a three-way deal in which New York sent Ron Williams, guard, from Kansas City, and Kansas City received Billy Knight, guard, from Indiana.
PHOENIX—Signed Red Stucky, guard, to a three-year contract.
HOCKEY
NATIONAL HOCKEY LEAGUE
DETROIT—Signed Danny Broussard, right wing, to a one-year contract.
MONTREAL—Cut Daniel Lefebvre and Todd Francis, right wing, from the roster.
GEORGIA STATE—Signed Bill Hume, assistant basketball coach.
FOOTBALL
NATIONAL FOOTBALL LEAGUE
DETROIT—Signed Danny Broussard, right wing, to a one-year contract.
MONTREAL—Cut Daniel Lefebvre and Todd Francis, right wing, from the roster.
GEORGIA STATE—Signed Bill Hume, assistant basketball coach.

CFL Standings

Team	W	L	T	Pts	Opp
Alouettes	7	2	0	259	182
Hamilton	4	5	0	246	244
Ottawa	4	5	0	237	245
Saskatchewan	3	6	0	206	300
British Columbia	2	7	0	214	214
Calgary	2	7	0	214	214
Edmonton	2	7	0	214	214
Saskatchewan	2	7	0	214	214
Winnipeg	1	8	0	214	214
British Columbia	1	8	0	214	214

Sunny's Halo Wins Super Derby

The Associated Press
BOSSIER CITY, Louisiana — Sunny's Halo, a hard-luck horse since his Kentucky Derby victory in May, won by 10 lengths Saturday in the \$500,000 Super Derby. Sunny's Halo, ridden by Laffie Pincay Jr., tied the track record in the 1 1/4-mile race with a time of 2:01 3/5.

BOOKS

WILLIAM FAULKNER: First Encounters

By Cleanth Brooks. 230 pp. \$19.50.
Yale University Press, 302 Temple St., New Haven, Conn. 06520.

Reviewed by Jonathan Yardley

William Faulkner may well be the greatest writer of American literature, but for countless readers he is merely the most forbidding. Confronted in their tender school years with the dark mysteries of "The Bear" or "The Sound and the Fury," these readers quickly persuaded themselves that a little Faulkner goes a long way and abandoned him forthwith. The dense, murky language; the tangled, tortured plots; the heavy-breathing philosophizing about great issues; the baffling folkways of Yoknapatawpha County; the stupefying doses of Confederate history and rhetoric—who needs all of that, anyway?

Most readers who overcome these objections and plunge into Faulkner are delighted, when they come up for air, that they have done so. But the problem is making that first plunge. In Cleanth Brooks' phrase, "first encounters" are the way to Faulkner. Finding one's way through the Faulknerian thickets can be a relatively easy and infinitely rewarding once you know where you're going, but acquiring such knowledge demands a fair amount of patience. For the reader of "William Faulkner: First Encounters," though, less patience is necessary, written "for the general reader and for the student coming to Faulkner for the first time," this slender volume provides the keys to the kingdom.

It is not the first time Cleanth Brooks has offered this service. His first book on Faulkner, "The Yoknapatawpha Country," was a pioneering effort in Faulkner criticism and remains, two decades after its original publication, a study against which all others must be measured; his second, "Toward Yoknapatawpha and Beyond," published in 1978, completed his evaluation and explication of Faulkner's canon. But these are books for the scholar and the Faulkner specialist; in "First Encounters," Brooks turns his attention to the interests of the ordinary reader who simply wants a bit of

assistance in figuring out what on earth is going on here.

Brooks begins with a very brief introduction in which he points out that Faulkner was no mere Southern regionalist, or local colorist, but a writer on the grand scale whose "ultimate aim, as he often tells us in his various interviews, is to talk about people—and he evidently meant by people, men and women in their universal humanity." He notes in passing Faulkner's "period of growth and development" which shows, among other things, a movement from a rather decadent Swinburnian romanticism to a robust acceptance of reality and a tough-minded appraisal of it. Then Brooks gets down to his central business, which is to show us how to read Faulkner.

This he does by holding certain of Faulkner's most important works up for scrutiny. He begins with "A Rose for Emily," which, though anthologized yet oddly underappreciated classic. He points out the expansiveness of Faulkner's interest in people of all races and classes, and he makes an important point about Faulkner's country:

"Yoknapatawpha is a rich and complicated world. Though it is characterized by a caste system based on color, the class system within the white community is not nearly so rigid as most readers have been led to believe. Even the relations between whites and blacks, in the plantation society at least, allowed more room for the expression of mutual respect and even affection than one might have supposed. Most important, the human relations within this world were highly personal and concrete. Yoknapatawpha constituted something approximating a true community."

Brooks then turns to the six novels that must be counted as Faulkner's greatest: "The Sound and the Fury," "As I Lay Dying," "The Hamlet," "Go Down, Moses," "Light in August," and "Absalom, Absalom!" He outlines each book's plot, identifies its major and minor characters, explores themes, comments on its strengths and weaknesses. Invariably, he is trenchant: "The Sound and the Fury" is "primarily a book about the modern world and only incidentally about the South," a book the central theme of which—"the disintegration of a family, of a tradition, and of a culture"—is quintessentially modern. Or: "The Hamlet" is a remarkable novel, and in my opinion, rarely given its proper due. I find it one of the richest of the novels in the Faulkner canon. It has the virtues that the Elizabethans loved: copia, amplitude, fulness."

Throughout, Brooks' tone is modest, good-humored, instructive, encouraging. His disclaimers notwithstanding, "First Encounters" can be read with profit by the scholar, for it is a distillation of our most important Faulkner critic's views of Faulkner's most enduring work. But the reader who will value it most is the daunted but determined one who wants to gain admission to one of the great bodies of work in the English language. And precisely for that reason, it is to be hoped that Yale Press will soon make "First Encounters" available in paperback, so that the people who can most profitably use it can also afford it.

Jonathan Yardley is on the staff of The Washington Post.

BRIDGE

By Alan Truscott

If you take a rubber-bridge player to watch a tournament, he is likely to be surprised by some aspects, impressed by some, and a little scornful of others. If he sits behind an expert competing in a pair contest he is liable to whisper in post-mortem, "I would have made that."

He may be absolutely right, but he has not taken into account the fact that the expert is not playing rubber bridge. Consider, for example, the diagrammed deal, played in a private rubber-bridge game. The bidding is not on record, but the auction shows is possible, starting with a weak two-bid. When North can do no more than respond three clubs to the double, South abandons hope of a slam. When the

spade king is led, he is not sure that he can make his game. The declarer held up his spade ace for a round. Next, he put the ace on the table and was gratified to find that the king dropped from the West hand.

West was a trifle upset, suspecting that the declarer had taken a peek, but the play was technical, not visual. If East held the club king, he was welcome to it. South could afford to guard against the singleton king in the West hand.

Now transfer the setting to a tournament pairs event. After winning the second round of spades, South would study the position, cross to dummy in diamonds and finesse in clubs. He would deliberately reject the safety play of playing the club ace because of the match-point element: It would cost

him an extra overtrick, and therefore significant match-points, whenever East began with a doubleton or tripleton club king.

And that is about 12 times as likely as the singleton king in the West hand.

NORTH
♠ 9 7 2
♥ 9 8 5
♦ A Q 6
♣ 8 7 4 2

EAST
♠ K J 10 9 8 7 6 5 4 3 2
♥ 10 9 8 7 6 5 4 3 2
♦ K J 10 9 8 7 6 5 4 3 2
♣ K J 10 9 8 7 6 5 4 3 2

Both sides were vulnerable. The bidding:
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Bombay-Delhi by Rail

By William J. Eaton

Los Angeles Times Service

NEW DELHI — "What's wrong, no plane ticket?" the taxi driver asked his American passenger, heading to Bombay Central Station to start a 1,400-mile train ride to New Delhi. "If I were going to Delhi, I would rather fly."

But most Indians who travel between the two cities ride the rails rather than take the two-hour flight, and one reason is obvious. The fares on India's rail network, the fourth largest in the world, are remarkably cheap.

And for a foreigner, the train provides a vista of India's countryside and a good look at its society. While the lowest airline fare between Bombay and New Delhi is about \$83, it is possible to go by train for as little as \$9.80. There are also air-conditioned sleeper accommodations on the Bombay-Delhi line — \$37.50 in second-class cars and \$67.30 in first-class.

The daily morning train is described as a "superfast express," but it makes 14 stops and takes nearly 24 hours for the trip. There is a faster, extra-fare train, the Capital Express, which stops only twice and makes the trip in 18 hours. But it runs only five days a week.

Mainline trains usually are jammed. The food and drink, while inexpensive, is not gourmet fare. In second-class cars, toilets are little more than a hole in the floor.

The only Westerner to board second-class sleeping car No. 6556 on a recent run to New Delhi received friendly stares from the Indians, who had already kicked off their shoes and were sitting most of them cross-legged, on the padded blue seats.

They were literally a colorful group. The women, in flowing saris of red, yellow and chartreuse pastels, wore gold earrings, nose jewelry and silver toe rings. Some of the men wore loose-fitting white dhotis, although most preferred slacks and short-sleeved shirts.

Once the Bombay-Delhi train slid away from the station, the train crew went into action. The conductor, a turbaned Sikh who wore a purple armband with gold lettering to denote his rank, quickly checked tickets.

Other blue-uniformed employees sold soft drinks, soup, tea, chocolate and sweet wafers, threading their way through luggage and bod-

ies in the narrow aisle. Later, they served simple meals on metal trays — roast chicken, omelets, vegetable plates with rice, lentils and chapatis, thin wheat pancakes that Indians use to mop up their food. For breakfast, lunch and dinner, the bill was \$3.20.

At each stop, more food was available at train-side. At the first station outside Bombay, in the palm-fringed city of Danaka, farmers offered coconuts for 20 cents each, chopping them open so that the passengers could drink the cool milk and eat the meat.

The conversation in one compartment sounded like club-talk on any train. But on this train there was no club car. Alcohol beverages are banned on India's railroads and smoking is forbidden except in the vestibule.

As the train raced along, the passengers could see timeless pastoral scenes: cattle wading knee-deep in a flooding river, glimmers bending to their harvest fields. The business executives, however, preferred to talk about a familiar complaint — big government.

The debate continued while the train crossed the green fields of Gujarat. In contrast to the squallid shacks around the outskirts of Bombay, many of the Gujarati houses were built of brick or stone.

As darkness fell, the talk abated. A railroad employee in charge of bedding came by to rent a pair of coarse muslin sheets, a pillow and a blanket for 50 cents. People began to stretch out on the 46 berths in the car and, after dinner, the lights were dimmed.

Curtains were drawn to shield passengers in the eight main compartments — two upper and two lower bunks — from the length of the car across the aisle.

Sleeping was easy despite the frequent nighttime stops because the electrified train glided to a halt and then smoothly pulled away from each station. As the train pulled the car with its harsh light, coffee cups were passed and the stewards arrived, squatting on their haunches in Indian fashion to clean the littered floors.

As car No. 6556 neared its New Delhi destination, a bearded traveler emerged from his upper berth, slowly stretching cramped muscles. "Long night," he said. But it was a bargain.

Provocative New Furniture at the Milan Fair

By Suzanne Slesin

New York Times Service

MILAN — With designs that ran the spectrum from the classical to the brutal, the 23rd Salone del Mobile Italiano once again proved true to its reputation for originality and inventiveness. The giant six-day furniture show, which included both Euroarea, a lighting show, and Eimau, an office furniture display, began here a week earlier than usual, as many Milanese were just getting back from their summer vacations.

While some visitors saw the event as marking a year of austerity in Italy, there were still plenty of lively new designs. "Things are happening again after a period of rest," said Paola Navone, a Milan architect.

The Italian designs looked fresh to many from abroad. Irving Rosen, a designer for the Pace Collection in New York, said, "The sense of experimentation still prevails." "There is always something new here, and we find ourselves very influenced by the Italians," said Yasuo Satomi, vice president of KYS International, a Tokyo manufacturer and importer.

Memphis, the influential group of international designers, presented an ambitious collection of 66 new pieces, including furniture, lighting, chairs and rugs.

"The idea was to make things that could be more easily manufactured and that would fit into normal rooms," said Barbara Radice, the organizer of the group. "In the first years we tried to invent the vocabulary," said Ettore Sottsass, the group's best-known designer. "This year we wanted to direct our energies into some more usable ideas."

Judging from some of the new pieces, Memphis remains a most provocative design source. Relations ran the gamut from "intellectually unstimulating" to "still incredibly imaginative."

Nathalie du Pasquier's imposing chair, long one of the group's most notable designs, garnered praise. Other notable Memphis pieces included Shiro Kuramata's tables — pieces of colored glass were embedded in white cement to create a surface like nuggets for the Japanese designer's two basic table shapes, square and round.

Much of the wood furniture at the fair was painted in bright colors or lacquered and shiny. At Pozzi, side chairs had triangular

shaped, brightly colored seats and backs supported by black metal. Danber's curved-back chairs sported the show's omnipresent primary colors, reminiscent of the brightly painted De Sijl furniture of Gerrit Rietveld. Anna Castelli Ferriani, who designs for Kartell, has achieved bright colors for years. But her five-piece plastic table, designed to be assembled without hardware, was in three analogous tones.

There were some innovative beds to be seen. Vico Magistretti's Japanese-style Kobe bed for De Padova had a ladderlike headboard that unfolded to double as a backrest. Antonia Astori's Agrade daybed for Driade was a Mies van der Rohe-inspired design.

Massimo Morozzi's spectacular system of tables for Cassina was enthusiastically received. Called Tangram and beautifully detailed, the system consists of seven separate tables, each with its own base. Some of the tops were of natural beechwood, some were finished with textured paint, others had marble tops, and one had a checkered game surface. Inspired by an ancient Chinese puzzle, the tables can be assembled into a 66-inch square, or made into a number of different combinations.

Although it is usual for many of the furniture designs at the fair to display a sense of fun, this year some crossed the boundary into caricature. Looking at the Traffic seating, a plump wheeled chair with a base of an industrial metal container by Bruno Rota for Esse, the New York designer Harvey Bernstein said, "It's industrial humor." Felici Tossi's Topolino rocker with its huge earlike rolled arms belonged, in spirit, to the Mickey Mouse Club.

Lamps were also entertaining. Alberto Frasier's Nastro lamp for Stilnovo had a flat arm that looked like a long multicolored ribbon of computer components. Bilmen's Anelli lamp by Marco Zotta had a circle of neon in the shape of an exercise ring.

One of the most intriguing

lighting designs was Ingo Maurer's minimal pendant lamp for Design M, a Japanese-inspired low-voltage light that was as efficient as it was elegant.

Retrospection and reinterpretation were frequent. Giotto Stopponi named his new table collection for Acerbis I Menhir.

"Because I wanted finally to design a single system of tables," the designer said, "I chose the first symbol of the column in history, the menhir, as my inspiration. The tables have cylindrical bases made up of a series of differently shaped and colored marbles."

"I thought of the La Scala opera house and the traditional living room with velvet-covered seats," Antonio Citterio said of Max and Phil, his two new sofas for Flexform. Phil is a banquetlike sofa

in red velvet, and Max an asymmetrical 1950s-style piece with a rolled backrest in black and white.

At the same stand, Paolo Nava was busy tying a scarf over one chair, flouncing a skirt on another and straightening the hem on a third. "Why should one not dress up a chair for a party?" he said.

At B&B, Paolo Piva's luxurious leather sofa was available with blanketlike covers. And it had a signature detail that may prove the obsolescence of the coffee table: two small cocktail tables that swing out from the side.

If practicality was not ignored at the fair, neither was fantasy. The well-known Italian architect Aldo Rossi's first group of furniture for Longoni was inspired by his remembrance of the past. His china cabinets had green crinkly

glass doors, marble tops and brass columns. And his pastel-hued freestanding closets were reminiscent of European beach cabanas.

"My new designs are excavated from old memories," said Achille Castiglioni of his pieces at Zanotta. His Albergo, a tree-like metal plant stand, harks back to an accessory that became popular in the early 19th century. The widely admired designer reintroduced a bicycle-saddle seat that he designed in 1957 with his late brother, Pier Giacomo, as well as Imperiale, a redesigned version of the classic folding beach chair.

"All our culture is made up of memory," Castiglioni said. "People get tired of the new. They want things for which they already have affection."



Michel Anzani, The New York Times

Antonio Citterio, seated on Max, his asymmetrical sofa, in front of Tangram, Massimo Morozzi's set of seven tables that can be rearranged, and Aldo Rossi's freestanding closet in the manner of a beach cabana.

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